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Economic Review

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NOTICE TO READERS: This volume contains a representative selection of material previously disseminated in softcopy format.

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Albania

AU2903161795 Economic Review—FOR OFFICIAL USE ONLY

PUBLIC SPENDING IN 1994: In 1994 national income increased 7.4 percent, inflation was reduced to 15.8 percent, and the government's budget deficit was 8 percent, according to the Institute of Statistics in Tirana. Acting in agreement with the IMF, some 99 percent of planned public investment was carried out, primarily in public works and in the construction, tourism, transportation, telecommunications, agriculture, health, and education sectors. Other international institutions also made significant contributions to government coffers in 1994 and accounted for a budget adjustment which was 140 percent above original allocations. In 1994 there was a 49-percent increase in investment in construction and tourism, while investment in the repair and construction of aqueducts increased from 493 to 593 million leks. Investment in the road network was 713 million leks. Some 1.1 billion leks were spent on housing construction, including private sector construction where dozens of firms are active. A World Bank loan of 850 million leks was allocated for this sector. Additionally, the health sector accounted for 340 million leks of the national budget and some 298 million leks were invested in agriculture, mainly in irrigation. Moreover, foreign financial aid reached 2.2 billion leks for agriculture infrastructure investment. Some 2.118 million leks was spent on mineral and energy resources and 534 million leks was spent on education. (Tirana TVSh Television Network in Albanian 1900 GMT 2 Mar 95)

ECONOMY STRENGTHENING: The economy continued to improve during 1994. Inflation was reduced by 50 percent compared with the previous year. Purchasing power, per capita consumption of basic food products, and personal savings significantly increased. Compared with the previous year, exports increased 30 percent, while the private sector accounted for 70 percent of import-export activity. There are now over 9,000 companies, thousands more small businesses and street merchants, and 200 gas stations in the private sector, while dental and pharmaceutical services are fully privatized. Compared with the 1990-93 period, foreign investment increased threefold. Of 500 firms that have come to Albania, more than 230 have been doing well, including such large firms as Italy's Agip, The Netherlands' Shell Oil Company, the U.S. firms Coca-Cola and Sheraton Hotels, and the Austrian construction company Rogner. Investment provided to customs authorities, including investment for machinery and equipment, amounted to $100 million, or 2.5 times more than in 1993. Ocean survey and exploration investment amounted to $10 million. (Tirana Radio Tirana Network in Albanian 1430 GMT 3 Mar 95)

HUNGARIAN RAIL AID: The Albanian Railroads General Directorate has signed a cooperation protocol and a technical-economic agreement in Budapest. Under the agreement Hungary will forgive $1 million of debt owed it by the Albanian Railroads. Hungary will also provide training for railroad personnel and general assistance to the Albanian railroad system to overcome their current problems. (Tirana ATSh Domestic News Bulletin in Albanian 1330 GMT 3 Mar 95)

ITALIANS START AQUEDUCT: The Italian firm Falcione Construzione started work on 4 March to build a new aqueduct for Tirana, after winning a bid tendered by the Italian Government, which will provide aid to Albania to fund the project. The aid amounts to 23 billion lira and will be paid out in two stages. The new water system will be linked with the hydroelectric project at Boville, near Tirana. Another Italian firm, Tecnoconsud, will also participate in the project. (Tirana ATSh Domestic News Bulletin in Albanian 1500 GMT 4 Mar 95)

BANK DEPOSITS UP: The paper GAZETA SHQIPTARE reports that residents of Tirana, Korce, Fier, and Durres have deposited 7.83 billion leks in the Albanian Savings Bank, accounting for half of the bank's total deposits. By the end of 1994, total deposits reached 15.9 billion leks, or 5 billion leks more than in 1993. The branch in Tirana has the most deposited with over 3 billion leks, or 20 percent of total deposits. The city of Korce follows Tirana with approximately 2 billion leks or 11.96 percent. Then come Fier with 1.5 billion leks or 9.3 percent and Durres with 1.3 billion leks or 7.9 percent. Additionally, deposits from Vlore amount to 1.2 billion leks or 7.6 of the total and branches in Tropoje, Puke, Rreshen, and Burrel districts have together deposited 158 million leks, or 1 percent of total deposits. (Tirana ATSh Domestic News Bulletin in Albanian 1500 GMT 4 Mar 95)

FOUR-YEAR TRADE DATA:

Export-Import Results for a Group of Main Products (in Thousands of Dollars)

	Exports				Imports			
	1991	1992	1993	1994	1991	1992	1993	1994
Foodstuffs	1,278	244	951	1,336	52,866	102,686	101,071	102,176
Dairy Produce	—	—	38	—	4,270	13,423	10,045	10,689
Meat	1,044	19	3,555	2,639	9,825	27,179	36,669	28,627

Export-Import Results for a Group of Main Products (in Thousands of Dollars) (Continued)

	Exports				Imports			
	1991	1992	1993	1994	1991	1992	1993	1994
Fruits, Vegetables	3,220	290	3,845	455	—	866	5,613	9,313
Clothes	1,760	—	34,322	55,701	—	437	22,223	46,565
Industrial Products	10,820	977	14,210	10,226	58,132	16,321	51,318	2,063
Tobacco-Cigarettes	10,111	2,105	7,499	4,346	853	33	3,037	2,957
Electricity	41,037	37,041	39,019	37,172	44,863	5,026	82,704	109,260
Wheat	—	—	—	—	17,962	38,292	12,329	270

(Tirana LAJMI I DITES in Albanian 9 Mar 95 p 5)

TRADE WITH BALKANS: Statistics released by the Ministry of Commerce, Industry, and Transportion show that Albania's trade with the Balkan countries in 1994 increased. Greece is Albania's main trading partner. Exports to that country have declined sharply, reaching $14,236,000 in 1994, while imports have increased to a total of $144,038,000. The main exports were tobacco, electricity, medicinal herbs, fish, beans, and glass and copper articles, while meat, eggs, potatoes, apples, soap, macaroni, beer, soft drinks, pharmaceutical products, gasoline and oil products, and detergents were imported. Exports were almost at 1993 levels to Turkey, reaching $1,626,000 in 1994. Among the main exported goods were oleaginous plants, beans, medicinal herbs, and leather goods. Imports increased from $16,062,000 in 1993 to $28,749,000 in 1994. Exports to Bulgaria increased from $859,000 in 1993 to $4,941,000 in 1994, the main goods being cigarettes, tobacco, tomato sauce, cognac, soap, copper, olives, and vegetables. Imports were $49,286,000, compared with $32,405,000 in 1993. The main imports were cooking oil, sugar, rice, soap, chemicals, sheet-iron, trucks, and eggs. Macedonia (Former Yugoslav Republic of Macedonia)—Imports amounted to $14,691,000 and were mainly rubber products, electrical machinery, paint, dyes, and bicycles. Exports were estimated at $7,027,000 and consisted of fish, gas oil, medicinal herbs, natural and liquid coal tar, liquid gas, and plastic products. (Tirana LAJMI I DITES in Albanian 11 Mar 95 p 5)

FOREIGN AID FOR AGRICULTURE: Foreign agriculture aid for Albania has provided funding for a number of irrigation and rural development projects. Furthermore, during 1992-94, our banks disbursed funds from various foreign loans to mechanize agriculture and the agro-food business. The Agriculture and Food Ministry reports that Germany provided a loan of 34 million German marks, out of which DM19.2 million has been given to 337 Albanian farmers and agro-businessmen. The EU's PHARE (Economic Reconstruction Aid for Poland and Hungary) program has also granted ECU7.5 million, out of which ECU5.3 million have been passed on to 340 Albanian farmers and businessmen, and the World Bank has granted $5 million, out of which $1.5 million has been used. Greece has loaned the country $12.5 million which Albanian banks have disbursed for farm equipment. From China, the country has imported about $4.4 million from which 3,150 Albanian farmers have benefitted. (Tirana TVSh Television Network in Albanian 1900 GMT 20 Mar 95)

NATIONAL SAVINGS BANK: Created in 1993, the Trade Savings Bank has 30 branches throughout the country with a work force of 1,200 specialists. Sixteen of the branches are computerized. In 1994, the bank's loan portfolio amounted to 3.5 billion leks and it was one of the first Albanian institutions to show a profit, lending to some 5,400 clients and gaining 17,000 depositors. The board of directors points out that over the last two years the bank's branches have been operating as government agents to manage foreign loans from such countries as Turkey, Austria, Italy, Greece, and Germany. Through the German Bank for Reconstruction and Development, the bank allocated DM151 million to fund projects for aqueducts, hospitals, agriculture, and industry. Of this amount, 80 percent has been used in Kukes, Kavaje, Has, Korce, and Kruje. Additionally, the bank has established two joint ventures with Italy and the Arab-Islamic countries, in which Albania has a 40 percent stake. (Tirana TVSh Television Network in Albanian 1900 GMT 20 Mar 95)

SWISS GRANT: Through the World Bank, the Swiss Government has granted $2.5 million for the Puke district, in the framework of an Albanian Government program to develop northern and northeastern areas of the country. The credit will be used to improve the rural and urban infrastructure, set up small businesses in towns and villages, and develop agriculture and local government. (Tirana TVSh Television Network in Albanian 1900 GMT 24 Mar 95)

SMALL BUSINESSES PRIVATIZED: In 1994, a total of about 2,500 small businesses were privatized in Tirana. Some 51 private firms are currently operating in Tirana, and have created 6,000 jobs. Sales in general amount to 4.2 billion leks and are reported to be 35 percent higher than in 1992. The volume of construction carried out by the private sector is eight time higher than the state sector and double the level in 1993. Some 85 private bakeries, five businesses producing macaroni, seven producing salami, and two producing soda water are active in Tirana. The number of employed people occupies 43 percent of the inhabitants, pensioners 18 percent, and unemployed 10 percent. (Tirana TVSh Television Network in Albanian 1900 GMT 24 Mar 95)

AGREEMENT WITH RUSSIA: On 3 April, the Council of Ministers endorsed in principle an agreement with the State Committee of the Russian Federation on cooperation and exchanges in the field of higher education for the period 1995-1997. The Cabinet endorsed an agreement with the Russian Federation Government on cooperation in mail services and telecommunications. On 7 April, the 22-article agreement was signed between the Governments of the Republic of Albania and the Russian Federation. (Tirana Radio Tirana Network in Albanian 1330 GMT 7 Apr 95; Tirana TVSh Television Network in Albanian 1800 GMT 3 Apr 95)

AGREEMENT WITH GERMANY: The plenary session of the People's Assembly on 5 April ratified an agreement between the Albanian and German Governments on a protocol setting up the bases for technical and financial cooperation that envisages granting DM5 million in support for small- and medium-sized industry to improve the employment situation and assist the development of the private sector. (Tirana Radio Tirana Network in Albanian 1330 GMT 5 Apr 95)

AGREEMENT WITH IFAD: The International Fund for Agricultural Development (IFAD) and the Albanian Government signed a $9.03-million loan agreement to help finance the reconstruction of the water system. The $10.75-million project aims to increase efforts to change the agricultural sector, particularly in the country's poorest districts. (Tirana Radio Tirana Network in Albanian 1230 GMT 8 Apr 95)

MARCH CONSUMER PRICES: The Institute of Statistics reports that the consumer price index (CPI) for March 1995 stood at 120.94 against December 1993, an increase of 4.4 percent over December 1994 and an increase of 0.3 percent over the previous month. The CPI has increased 15.8 percent since March 1994. (Tirana Radio Tirana Network in Albanian 1230 GMT 8 Apr 95)

ITALIAN GRANT: The Italian Government has granted 4.3 billion lire to improve medical services in Elbasan. The amount will be used to reconstruct medical care facilities, increase the quality of medical services, support public health programs, and assist in training medical personnel. (Tirana ATSh Domestic News Bulletin in Albanian 10 Apr 95)

BILL ON PASTURELAND, VALLEYS: At a plenary session on 13 April, the People's Assembly deputies endorsed a bill on pastureland, valleys with a majority of votes. (Tirana TVSh Television Network in Albanian 1800 GMT 13 April 95)

AGREEMENT WITH ITALY: At its meeting on 18 April, the Council of Ministers approved in principle a financial convention between the Government of the Republic of Albania and Italian Media Credito Centrale, regarding a project to reconstruct the Tirana-Durres railway line, as well as endorsed an agreement with the Italian Government on a 4 billion liras credit to buy medical equipments for hospitals. (Tirana TVSh Television network in Albanian 1800 GMT 18 Apr 95)

TAXATION INCOMES: Taxation incomes for the first three-month period of 1995 amount to 116 percent, 20 percent higher than for the same period of last year. (Tirana TVSh Television network in Albanian 1800 GMT 18 Apr 95)

Bulgaria

AU2303182995 Economic Review—FOR OFFICIAL USE ONLY

BUSINESS FORUM OPENS: A two-day Bulgarian-Slovak business forum on bilateral trade opened here today, with the participation of 40 Bulgarian and 22 Slovak companies. The forum will focus on restoring business contacts between Bulgaria and the Slovak Republic, which were disrupted when the former Czechoslovakia split. In 1994, Bulgarian-Slovak trade amounted to $30 million, $3 million more than in 1993. The forum will discuss the assembly of motorcycles with Slovak engines and Bulgarian parts and joint production of tires in Bulgaria. (Sofia BTA in English 1010 GMT 16 Mar 95)

IMF BANK AGREEMENT: The representatives of the IMF gave their consent not to close down Mineralbank and the Economic Bank (two state banks in serious trouble), the PARI business daily reports, citing a source in the Bulgarian National Bank (BNB). BNB officials confirmed last week's decision of the BNB Governing Board to purchase part of the bad debt bonds held by the two banks as part of the rescue operation. However, IMF mission leader Russel Kincaid reportedly stipulated that in the future the Economic Bank and Mineralbank should not be refinanced by the BNB. (Sofia BTA in English 1136 GMT 17 Mar 95)

RAIL LOANS: Bulgarian State Railways (BDZ) have been given a mandate to negotiate for financial aid worth $170 million with the World Bank and the European Bank for Reconstruction and Development (EBRD). The talks will be held in London from 28 March to 24 April. BDZ Director General Angel Dimitrov announced this at a news conference in Plovdiv on 17 March. BDZ have 31,560 freight cars, of which 3,200 are outdated and will be decommissioned this year and 12,750 need repairs over the next two years. The national rail network is 7,472 km. The repair of 1,292 km was delayed and 1,200 km are due to be overhauled now. Under the 1995 plan, 250 km of major rail routes will be repaired at a cost of 1 billion leva. (Sofia BTA in English 1615 GMT 17 Mar 95)

UNEMPLOYMENT DOWN: The National Employment Service reported that unemployment figure in February was 490,772, down 1.7 percent from January. The fall is attributed to the availability of seasonal jobs in farming and tourism. However, the number of unemployed who are not entitled to benefits increased to 336,799. (Sofia BTA in English 1455 GMT 19 Mar 95)

WAGE INDEXATION: After difficult discussions over several weeks with the employers and union representatives in the National Council for Trilateral Cooperation (NCTC), the cabinet agreed on 20 March that wages in the manufacturing and trading sectors will be indexed by 80 percent of the actual inflation figure in the first and second quarters of 1995, and by 85 percent of inflation in the third and fourth quarters. The majority of the NCTC members regarded the decision as a reasonable compromise achieved as a result of social dialogue. (Sofia PARI in Bulgarian 21 Mar 95 p 2)

INDUSTRIAL OUTPUT: The deceleration of the drop in output observed in the second half of 1994 continued in February according to the National Statistical Institute (NSI). Speaking at a news conference today, NSI spokesman Dimitur Fratev said the output of public sector enterprises totalled 56,000 million leva, 1.8 percent up on February 1994. Industry reported the largest growth in February, up 2.7 percent on February 1994. Industrial growth in the first two months of 1995 stood at 4.3 percent. Output increased in 11 out of 18 industrial sectors: ferrous metallurgy (45 percent), glass and china (23 percent) and chemicals and oil products (20 percent). Other growth areas were the power industry, electrical engineering and electronics, tailoring, printing and publishing, and building materials. At the same time the downturn in the food industry persisted, Fratev said. Its output dropped 11.3 percent in February and 12.3 percent in the first two months of 1995. The drop was largest for milk and dairy products (60.5 percent) and meat and meat products (48 percent). Output also dropped in engineering, the pulp and paper industry, the timber and woodworking industries. The NSI forecasts that the levelling off of the drop in industrial output will continue and will be followed by growth in the coming months. Most firms, however, still face serious problems diminishing their chances to increase output. Retail sales in the public and private sector in the first two months totalled 48,400 million leva, down 700 million leva from the same period of 1994. The share of private firms in retail sales rose to 73.9 percent in 1995 from 64 percent in 1994. (Sofia BTA in English 1558 GMT 23 Mar 95)

TRADE SURPLUS: In 1994, Bulgaria's foreign trade totalled 470 billion leva, the NSI said. Imports amounted to 234 billion leva and exports to 236 billion leva, with a resulting trade surplus due to a contraction of imports. Compared to 1993, trade dropped 2.5 percent. Exports increased by about 15 percent, while imports dropped by about 15 percent. In 1994 Bulgaria's top trading partners were the member states of the Organization for Economic Cooperation and Development, the NSI reported. Their share in Bulgaria's foreign trade was 46.6 percent, up 2.5 percent from 1993. The share of EU member countries rose 4.7 percent from 1993. Central and Eastern Europe accounted for 38 percent of Bulgaria's foreign trade in 1994. Cast iron, iron, steel and articles made of them, as well as agricultural products, were the leading exports. The import of wheat, chocolate, mineral fuels and vehicles dropped. (Sofia BTA in English 1802 GMT 23 Mar 95)

BALKAN AIRLINES: On 26 March Balkan Airlines will resume its passenger service between Sofia and Burgas, using Russian An-24 aircraft. There will be two flights each way on Monday, Wednesday, Friday, and Saturday, and one flight in each direction on Tuesday, Thursday, and Saturday. The one-way adult fare is $28, paid in leva at the exchange rate of the day. (Sofia TRUD in Bulgarian 21 Mar 95 p 3)

ANIMAL CREDITS : The Agricultural Ministry wants 1.434 billion leva from the budget in special credits to stimulate and subsidize animal farming, departmental head Kamen Beligerski announced 21 March. His department had noted a progressive deterioration of the animal farming industry in 1994. The number of dairy cows fell by 6.5 percent from 1993 and was now less than 350,000. The numbers of sheep also declined by 6.8 percent to below 3 million. Experts say that milk production fell by 12.3 percent in 1994, although yields per cow improved by 3 percent. (Sofia TRUD in Bulgarian 22 Mar 95 p 7)

JAN-FEB INFLATION: According to the NSI, the inflation rate in January-February 1995 was 7.8 percent. Foods rose in price by 8.3 percent, services by 7.5 percent, and nonfoods by 6.4 percent. Retail prices of cabinet-monitored goods fell by an average of 0.3 percent between 28 February and 15 March. Eggs, mineral water, rice, cow's cheese, and cooked sausages dropped most dramatically (by 14.3, 10.3, 9.2, 3.6, and 3.6 percent respectively). Milk, however, rose by 9.3 percent, ahead of baby foods (5.5 percent), potatoes (5.4 percent), beans (4.9 percent), and yogurt (4.8 percent). (Sofia BTA in English 1541 GMT 23 Mar 95)

MADARA PLANT: The Madara Automobile Works in Shumen has started production of a trial series of GAZ-3302 trucks. The new truck, with a Volga motor and a payload of 1.5 metric tons, is designed for use by small businesses. The new production was launched under a framework agreement with the foreign trade company operating with GAZ Inc. of Niznyy Novgorod in Russia. The trucks will replace more expensive Western-made vehicles. The volume of production will depend on the demand in Bulgaria and neighboring countries. (Sofia BTA in English 1541 GMT 23 Mar 95)

1994 INCOME FIGURES: Per capita income in Bulgaria averaged 39,560 leva in 1994, or 3,297 a month, the NSI announced today. Over the past few years the share of monthly wages in total incomes showed a downward trend. According to the NSI, in 1994 wages accounted for only 38.2 percent of incomes, as against 55.9 percent in 1989. The share of social security benefits (pensions, allowances, and grants) dropped to 19 percent in 1994, compared with 21.2 percent in 1989. Food accounted for 45 percent of household expenses in 1994. Other major items of expenditure were furniture (4.6 percent), clothing and footwear (7.4 percent), hygiene and health care (3.2 percent), education and leisure time activities (3 percent), and transport and communications (8 percent). (Sofia BTA in English 1837 GMT 23 Mar 95)

CONSOLIDATION COMPANY: The Bank Consolidation Company (BCC) has announced its intention to sell its stake in the increased capital of Hebrosbank and all shares it holds in Dobrudzha Bank, Biznesbank and Kristalbank. Hebrosbank had its capital increased by 150 million leva, the state's stake remaining at 66 percent. The other shares to be sold are worth 45 million leva. (Sofia BTA in English 1451 GMT 26 Mar 95)

OIL EXPLORATION: Foreign companies will invest $180 million in oil drilling this year, 24 CHASA reports, citing a press release by the Committee of Geology and Mineral Resources. Since 1991 foreign companies have spent $120 million on exploration projects in Bulgaria. Experts say that there are about 39 million metric tons of oil and 139 million cubic meters of natural gas in this country, but Bulgaria has neither the money nor the equipment to prospect the deposits on its own. (Sofia BTA in English 1032 GMT 27 Mar 95)

BANK SUPPORT TO FIRMS: At a meeting today between Industry Minister Kiril Vuchev and representatives of the major banks, it was decided that the banks would grant short-term credits to firms with good performance figures to increase their circulating capital, while the State Fund for Reconstruction and Development would be used to address more serious investment problems. In the case of a second group of about 800 firms that are experiencing both marketing and circulating capital problems, after analyzing the problems of each individual company, banks would be asked to agree to reschedule the companies' debts. At the meeting it was also decided to found a joint stock company with a statutory capital of 200 million leva that would be used solely to finance new types of production. (Sofia Khorizont Radio Network in Bulgarian 1500 GMT 27 Mar 95)

RAIL FREIGHT TRAFFIC: The 1995 national budget allocates 2.689 billion leva for BDZ, Director General Angel Dimitrov told a news briefing today. He said that a review has shown that BDZ are unlikely to cover their expenditure with such a budget, and expect losses to reach 2 billion leva in 1995. Construction of a tunnel on the Karnobat-Sindel line scheduled for this year will cost at least 500 million leva, and 9 billion leva is needed to pay BDZ's 57,000 staff, Dimitrov said. In the first quarter of 1995, BDZ carried 7,323,960 metric tons of freight, Dimitrov reported, noting a consistent upward trend observable in freight traffic. BDZ expects to carry 3 million metric tons more freight this year, as compared with 1993. Dimitrov commented that the rising trend was indicative of a production recovery among major industrial and agricultural producers, who form BDZ's main customers. (Sofia BTA in English 1407 GMT 29 Mar 95)

COMMENTS ON DRAFT BUDGET: The government increased the projected deficit with 5,000 million leva to increase the outlays for army and police maintenance support and for the BSP's social projects in the 1995 national budget bill, writes KONTINENT. This brought the total amount of the deficit to 47,000 million leva (5.6 percent of the expected GDP) with spending projected at 387,000 million leva. The budget is built on a projected average annual interest rate of 51 percent for 1995. "5,000 Million Leva Extra for Defence and Security," runs a headline in DUMA, the daily of the Bulgarian Socialist Party (BSP). A signed commentary says that with the precarious budget parameters and the present state of the economy, the government cannot afford to fail in the collection of even one of the revenue items in the budget. The author recalls that the budget projects 340,000 million leva revenue, nearly double the 1994 target. Under the heading "Budget: Economic Trial, Not Political Race," a signed comment in KONTINENT describes the budget as "austere," observing that "the 1995 should finally become a suffered compromise reduced to numbers; if it turns into a political race, failure is quite probable." 24 CHASA writes that "BSP is planning to halve the money for the office of the president in the new draft budget." Quoting a source of the Democratic Left (the BSP-led parliamentary coalition), the daily writes that BSP Deputy Chairman and Democratic Left floor leader Krasimir Premyanov said that the BSP was looking for ways to restrain the president and above all his foreign policy initiatives. "The draft budget has not been prepared with political prejudice and is not directed against Dr. Zhelev," Mr. Georgi Nikolov MP of the BSP, chairman of the National Assembly Budgetary Committee, commented for 24 CHASA. The opposition DEMOKRATSIYA reports that the cabinet approved the budget after "endless scandals and repeated discussions." The papers note that the 1995 draft budget will be discussed today by the parliamentary group of the BSP-led coalition, and that this afternoon the BSP leader and Prime Minister Zhan Videnov will present a report on the politics and philosophy of the budget to an enlarged plenum of the Socialists. (Sofia BTA in English 1011 GMT 31 Mar 95)

GERMANY TOP INVESTOR: Some $730 million has been invested in Bulgaria since 1990, Ms. Daniela Bobeva, member of the Foreign Investment Commission of the Council of Ministers, says in an interview for the paper TRUD on 30 March. Germany is the largest foreign investor, accounting for 46 percent or $217,841,000 of the invested foreign capital. The Netherlands come second, followed by Switzerland, Belgium, Greece, the United States, Austria, Britain, and France. (Sofia BTA in English 1122 GMT 30 Mar 95)

INVESTMENT IN BALKANTOURIST: Multigroup, a conglomerate believed to be controlled by the former communists, will buy 51 percent of Balkantourist for 85 million leva, of which 10 percent will be paid in cash on the date of contract, 50 percent will be paid in Brady bonds and 40 percent in ZUNK (bad debt) bonds, the paper PARI reports on 31 March. Balkantourist management will receive 29 percent of the company's shares, and its employees 20 percent of the preference shares.

Last year, Multigroup bought 39 percent of the five-star Grand Hotel Varna. (Sofia BTA in English 1030 GMT 31 Mar 95)

FOREIGN TRADE BANK: Bulbank, the Bulgarian Foreign Trade Bank, is to increase its capital by 5 billion leva by November 30, 1995. It will raise capital through the sale of dollars on the foreign exchange market, as part of the effort to stabilize domestic currency, Chavdar Kunchev of Bulbank's Board of Directors says. The bank plans to offer on the market $50-60 million. The state has a 55-percent interest in the bank. (Sofia BTA in English 1531 GMT 2 Apr 95)

MOLLOV BANK ASSETS: The Mollov commercial bank posted 1,300 million leva assets and 184 million leva reserves for 1994, its first year of operation. Losses amounted to 80 million leva, resulting mostly from investments in branches of this bank. The bank's 1995 target profit is 11.5 million leva. (Sofia BTA in English 1531 GMT 2 Apr 95)

ACCESS TO BLACK SEA: Macedonia (the Former Yugoslav Republic of Macedonia—FYROM) wants to build two quays in a Bulgarian seaport, PARI says in a report on a meeting between representatives of the two countries' transport ministries. By building its own quays in Bulgarian ports, Macedonia hopes to gain access to the Black Sea and build its own fleet, the paper says. The Macedonian section of the railway linking Skopje and Sofia is expected to be completed in September 1996. (Sofia BTA in English 0858 GMT 3 Apr 95)

KOZLODUY REACTORS: Bulgaria will apply to the EBRD for a $250 million loan, writes PARI. The money will go to upgrade two of the 1,000 MW power units of the Kozloduy Nuclear Power Plant on the Danube. The amount of the loan was specified after a joint expert valuation by Energoproekt, Electricite de France and Siemens. KONTINENT quotes Shervashidze as saying Bulgaria might close down two of its nuclear power units by the year 2000 under pressure from international financial institutions. The original plans for this plant envisage that the power units would be switched off in 2005-2006, but the international financial institutions are insisting that this be done earlier. (Sofia BTA in English 0808 GMT 5 Apr 95)

TOBACCO CROP EXPECTATIONS: Tobacco Growers' Union Chairman Georgi Petrov told a BTA reporter that the tobacco crop is expected to fall disastrously this year. According to provisional figures, it will amount to some 20,000 metric tons; half the 1994 yield and six times less than the normal yield of several years ago. Thus, the crop will fall far short of the required 63,000 plus metric tons ordered by the Bulgartabac holding company, the cigarette manufacturer and exporter of tobacco products. Bulgarian farmers can grow 85-90,000 metric tons a year with a guaranteed market, he said. He is worried that this country may lose its best partners, Western companies buying 10-12,000 metric tons. The Union suggested that the Tobacco Fund consider the problems of tobacco growing and its financing before the end of April and will urge the government to discuss these problems as decisions about tobacco growing and trade rest with the state under the Tobacco and Tobacco Goods Act. (Sofia BTA in English 1234 GMT 6 Apr 95)

JAPANESE CREDIT REQUESTED: Today, the Council of Ministers decided to ask the approval of the National Assembly for concluding credit agreements with the Japanese Government to financing the reconstruction of the non-ferrous metals works in Plovdiv and the "Eliseyna" mines. The reconstruction of the nonferrous metals works will cost 7,940 million Japanese yen and the "Eliseyna" project 2,775 million yen. The credit to be granted for a period of 25 years, at a 3-percent interest rate and a 7-year grace period, government spokesman Nikola Baltov said. Following negotiations with the Japanese Government, the cabinet will ask the National Assembly to approve the credit agreements with the authorized Japanese Government institution and to provide state guarantees amounting to 10 percent. (Sofia BTA in English 1435 GMT 10 Apr 95)

NATIONAL BANK RESERVES: The PARI daily cites BNB figures showing that its gross reserves rose from $939 million in January and $1,029 million in February 1995 to $1,175 million on 31 March. The foreign exchange reserves have reached a four-year high. In March 1994, for example, the central bank had a mere $635.5 million reserves. The reserves reached their current level after the central bank bought some $100 million from the domestic foreign exchange market. The BNB holds another $40 million in foreign exchange deposits at commercial banks and $89 million extended as loans to financial and lending institutions. The gold reserves amount to a total of $400 million. According to figures of the BNB Economic and Monetary Analysis Department cited by 24 CHASA, direct investments in 1994 amounted to $105.4 million. The balance of payments shows that Bulgarian exports in the same period totalled $4,160 million, $151.6 million higher than the imports. International Monetary Fund loans in 1994 were $263.9 million, 24 CHASA writes. (Sofia BTA in English 0853 GMT 11 Apr 95)

EXPORT-IMPORT COMPANIES: According to STANDART NEWS, 19,000 Bulgarian companies are involved in export and import activities. Foreign trade accounts for 75 percent of the GDP. Commercial exchange with countries of the former Council for Mutual Economic Assistance accounts for 30 percent and with the Balkan countries for 20 percent of this country's total commercial exchange. (Sofia BTA in English 1208 GMT 10 Apr 95)

BRANDY, WINE PRODUCTION: Vinex-Veliki Preslav is ready to produce 15 to 16 million bottles of brandy and more than 10 million bottles of some 20 brands of white wine this year. The entire amount of

Slunchev Bryag brandy and most of the wines are destined for export to Russia, Ukraine, Moldova and other former Soviet republics. The enterprise has already received the excise revenue stamps from Russia, so it can now go ahead with delivery. High-quality Chardonnay and Trakiya white wines are going to Britain, the United States, Belgium, the Netherlands, and Japan. (Sofia BTA in English 1410 GMT 9 Apr 95)

BALKAN AIRLINES: Balkan Bulgarian Airlines has been chartered by an Egyptian company to fly Romanian tourists from Cairo to Ruse (on the Danube) in 100 flights before the end of April. The performance of this contract, however, has to be cleared with the General Staff of the Bulgarian Army because the runway of Ruse Airport is used for training of Air Force pilots. The military unit says the runway needs repair costing $5 million. For five years now, the city fathers have been campaigning for international status for Ruse Airport, the local BTA correspondent reports. (Sofia BTA in English 1410 GMT 9 Apr 95)

WHEAT EXPORTS TAXES: Wheat export tax was reduced to $5 from $25 per metric ton by the amended export-import regulations which entered into force today. The amendments were made earlier this week but Minister of Trade and Foreign Economic Cooperation Kiril Tsochev declined to comment before their entry into force so as "not to cause a chaos in the domestic market," as he put it. The changes can be briefly described as liberalizing the foreign trade regime and simplifying export procedures, said Deputy Minister of Trade and Foreign Economic Cooperation Borislav Georgiev. Certain obstacles to foreign trade were removed, he said. Medicines for export will be subject to registration instead of licensing as they were before the amendments. The regulations on medicines were relaxed because 60 percent of Bulgaria's pharmaceutical plants are export-oriented. The scrapped export procedure halved exports of medicines in 1994 compared to 1993. Textiles exports will also be subject to registration. The export tax for timber was increased and will range from 15 to 35 dollars/metric ton for most types. Georgiev described the amendments as beneficial to business. In his view, they are in line with the government's statements that it prioritizes export and manufacturing, and will boost them. (Sofia BTA in English 1442 GMT 14 Apr 95)

BANK FOR AGRICULTURAL CREDITS: The Bank for Agricultural Credit (BAC) was conferred the Euromarket-1995 Award by the European Center for Market Research in Brussels, a special news conference was told on 13 April. The bank received the prize for remarkable achievements in its business activity, for its business contacts with banks and partners from all parts of the world, for management efficiency, for innovations in servicing its customers and growing potential in the promotion of relations with the countries of the EU. BAC is a correspondent of more than 400 foreign banks; in 1994 it handled the payments for one-third of Bulgaria's foreign trade. The Bank's assets more than doubled in one year's time. Its book profit of 750.7 million leva will be provisioned. (Sofia BTA in English 1706 GMT 13 Apr 95)

BENTONITE EXPORT TO AUSTRIA: The Bentonite State-Owned Company, which is the country's only producer of nonmetal mineral resources, is exporting the bulk of its output to the Netherlands, Austria, Israel and Tunisia. Five thousand tonnes of bentonite have already been exported to Austria. (Sofia BTA in English 1050 GMT 14 Apr 95)

TOBACCO EXPORT QUOTA: Bulgaria is 5,565 metric tons short of fulfilling its 7,161-metric-ton preferential quota for export of tobacco to the EU. The quota is valid for the July 1, 1994-June 30, 1995, period and there is a theoretical possibility for exporting more tobacco to the EU. Experts, however, believe the quota can never be completely fulfilled. "Apart from our domestic problems, there is the competition on the part of Turkey whose tobacco goes to the EU at 0 percent duty, while Bulgaria pays 5.5 percent duty." (Sofia BTA in English 0900 GMT 17 Apr 95)

TEXTILE EXPORTS: The Slavina textile factory in Pleven (northwestern Bulgaria) is seeking to restore its market positions in countries of the former Soviet Union, its Executive Director Georgi Kamenov said. Slavina is the only plant on the Balkan Peninsula producing layered auxiliary sewing fabrics. By the end of this year the plant plans to produce almost 4 million meters of such fabrics. Half of its output will be exported under already signed contracts to Germany, Italy and Britain. (Sofia BTA in English 1441 GMT 16 Apr 95)

BANK REHABILITATION: The Economic Bank and Mineralbank, the two state-owned banks with the largest share of bad debts, are in for rehabilitation through a buy-back of low-yield bad and doubtful debt bonds (junk bonds), which will be replaced with normal yield government securities. The decision taken by the cabinet last night ends several months of discussions between bank experts and the government. The two loss-makers' total assets will be reduced by 40,000 million leva but this will improve their financial standing, National Bank Governor Todor Vulchev commented. So far the two banks had been losing a total of 100 million leva a day. In May, junk bonds will be replaced by seven-year government bonds with a three-year grace period for principal repayments and semiannual interest payments. The annual coupon will be close to the base rate, Finance Minister Dimitur Kostov said. The two banks are to repay their debts to the BNB and the State Savings Bank (the biggest state-owned financial institution) with the new government bonds. The cabinet decided that junk bonds used as an instrument of payment in privatization deals will be getting a bonus of 40 percent of their face value until the end of the year. Deputy Prime Minister and Minister of Economic Development Rumen Gechev believes this will have a two-prong effect: The bad debt problem will be solved by putting the junk bonds into use and privatization will be stepped up. The Economic Bank and Mineralbank will be supervised by the BNB throughout their rehabilitation. The two banks' managements are to map out a clear strategy based on better organized portfolios and more active branch offices. Staff salaries will be frozen at their March 1995 level, while members of the boards of directors will have their pay halved. The Bank Consolidation Company is to draw up privatization programmes for the two banks, which will launch bank privatization, Kostov said. The decision on the two banks will help solve problems with junk bonds held by other banks, Gechev commented. In his view this would solve the problem with public debt which is 30 percent larger than the 1994 GDP. The newly appointed Deputy Minister of Economic Development Dimitur Dimitrov, who is in charge of the banking system and its privatization, explained that prospective buyers of banks should balance off the accounts prior to buying the bank and starting to manage its assets. Last night the cabinet decided to start drafting amendments to the Banks and Lending Act, making it possible to declare banks bankrupt, for which there are no provisions in the effective Act. Todor Vulchev said the BNB will release to the budget the projected 25,000 million leva. This amount should not be exceeded, however, or else it may lead to a new decapitalization of the banking system, said BNB Vice Governor Lyubomir Filipov in charge of lev transactions. (Sofia BTA in English 1137 GMT 19 Apr 95)

BANK CONSOLIDATION COMPANY: The cabinet changed the structure of the Bank Consolidation Company (BCC), set up in 1991 to carry out the reform in banking, and got a 52-percent majority holding. The responsibility for the condition and performance of state-run banks remains with the cabinet and the BNB which keeps its 46.1 percent interest in the BCC, journalists learned this evening from Deputy Prime Minister and Minister of Economic Development Rumen Gechev. Today's sitting of the cabinet focused on the management of the state interest in banking and measures for the financial stabilization of two troubled state-run banks, the Economic Bank and Mineralbank. The two hold the bulk of nonperforming debts of enterprises to the banking system. The cabinet today decided to recommend that all ministries, committees and companies with majority state holding transfer their interest in the BCC to the cabinet, reducing their capital accordingly. The general assembly of the Bulgarian Foreign Trade Bank (Bulbank) will also be asked to transfer its 6.9 percent stake in the BCC to the cabinet. With this the cabinet acquires a majority in the BCC Board of Directors and assumes the actual responsibility for the management of the state interest in the banking system, said Deputy Prime Minister Gechev. From now on, the BCC will be managed by a Board of Directors including the minister of economic development, his deputy in charge of the banking system, the minister of finance and two central bank officials. The cabinet has to date been represented at the board by six ministers who did not form a majority. Following discussions on the stabilization of Economic Bank and Mineralbank, the cabinet today decided that the state buy the banks' bad debt bonds and replace them with a new issue of long-term government bonds. The banks will use the proceeds from the new bond issue to settle their liabilities to the BNB and the State Savings Bank, the biggest state-run financial institution. BNB Governor Todor Vulchev explained the operation "will write some 40,000 million leva off the banks' balance sheets" and make them more stable. The new bonds will also serve as an instrument for settlement in privatization to be used with a 40 percent premium. With its decision on the Economic Bank and Mineralbank, the cabinet okayed the privatization in banking, said Rumen Gechev. Newly appointed Deputy Minister of Economic Development Dimitur Dimitrov was introduced before journalists today. Dimitrov has to date been executive director of the United Bulgarian Bank, Bulgaria's first consolidated bank formed after merger of 22 state-owned banks on September 30, 1992. One of his major tasks will be the development of a government strategy on privatization in banking. The department he heads will work on problems pertaining to the state interest in banks, monitor the condition and mechanisms of the banking system and advise the managing body of the BCC, said Rumen Gechev. (Sofia BTA in English 1921 GMT 18 Apr 95)

MORE CONFIDENCE IN LEV: The BNB adopted its 1994 report today. The paper will be presented before the National Assembly on May 2. The bank's performance in 1994 is assessed in positive terms, BNB Governor Todor Vulchev said after the meeting. The year ended with increased confidence in the Bulgarian lev, he said. In his view, this may be proved by the fact that citizens have started transferring their foreign currency deposits into deposits in Bulgarian leva. The foreign currency market is quiet. The decreasing of the base interest rate is considered normal. Inflation is at low levels and is keeping the downward trend as a result of the BNB's restrictive policy, Vulchev said. We should stick to the bank's restrictive policy and, given a 1-2 percent inflation in April, we shall further decrease the base interest rate in May, Vulchev commented. Banking supervision, which has always been the central bank's weakest unit, is the only department which was criticized in the report. According to Todor Vulchev, it is difficult to maintain strict banking supervision when the statehood is shattered; he added that at this stage no one fears sanctions. (Sofia BTA in English 1623 GMT 21 Apr 95)

PRIVATIZATION AGENCY REPORT: A total of 272 deals have been concluded since the launching of privatization two years ago, experts of the Privatization Agency told journalists. Of these, 52 were signed by the Privatization Agency, 30 by the Industry Ministry, 70 by the Trade Ministry, 65 by the Agriculture Ministry, 13 by the Transport Ministry, 29 by the Ministry of Construction, and only 2 by the Ministry of Culture. A total of 1,080 privatization procedures opened in the observable period; of them 32 were terminated. Another 1,200-1,300 should be put up for denationalization to carry out the cabinet's privatization program for 1995, said Privatization Agency chief Veselin Blagoev. Members of the parliamentary Economic Committee discussed with the Privatization Agency Supervisory Board and executive chiefs the 1995 privatization program of Prime Minister Videnov's cabinet. The program was approved by the Subcommittee on Privatization with the Economic Committee and in May it will enter the National Assembly plenary chamber. According to Nikola Koychev, MP of the Bulgarian Socialist Party (BSP), 20 percent of the state-owned enterprises now are in a process of recovery while another 20 percent face virtual bankruptcy. Koychev believes privatization should target the remaining 50-60 percent of the state-owned companies. The Economic Committee will convene again in late May to finalize the draft amendments to the Privatization Act before submitting them at the plenary chamber. The committee have to date seen seven versions for draft amendments to the Privatization Act, said Aleksandur Bozhkov, MP of the Union of Democratic Forces and former Privatization Agency chief. The Privatization Agency concluded three privatization deals over the past two months, after the new socialist cabinet replaced the Agency's chief and some members of its Supervisory Board. According to Dimitur Stefanov who chairs the Agency's Supervisory Board, the Agency by the end of April will sign 20 privatization deals, including the posh Sofia, Sheraton and Rodina Hotels in Sofia. The Agency's major deal was the sale of an unfinished factory for coffee roasting and packing. The unit's fixed assets—administrative premises, workshops for coffee roasting and packing, warehouses, water supply and other equipment—were sold for a total of $2 million. Half of the price will be paid in cash and the other half in foreign debt bonds. The Privatization Act passed in April 1992 and October this year saw the setting up of the Privatization Agency as a body operating with the Council of Ministers. The first privatization deal was signed in May 1993. Unfortunately, in 1994 Bulgaria came last among the countries in terms of denationalized enterprises with a mere of 35 major privatization deals. Apart from changes in the management of the Privatization Agency, the cabinet plans to revise the privatization scheme by introducing a mixed system with shares of the enterprise sold with the mechanisms of cash privatization, and the rest privatized against vouchers. According to Deputy Prime Minister and Minister of Economic Development Rumen Gechev, the first round of privatization is due to start this autumn. (Sofia BTA in English 1051 GMT 19 Apr 95)

WORLD BANK OFFICIALS: The international financial institutions would like to see greater stability in Bulgaria and can offer advice in this area, said World Bank Vice President Wilfried Thalwitz, who was received today by National Assembly Chairman Blagovest Sendov. According to Thalwitz, Bulgarian Parliament can successfully inform the more advanced European countries of Bulgaria's problems, which would expedite their resolution. A World Bank mission started its working visit here yesterday, when it was received by President Zhelyu Zhelev. Today it met with Deputy Prime Minister and Minister of Trade and Foreign Economic Cooperation Kiril Tsochev. He stated categorically that electricity prices cannot be increased now as required by the World Bank. Speaking to journalists later on, Tsochev said Bulgaria cannot be compared with other countries because specific factors are at play in this country. He mentioned the structure of the power industry and the considerable share of the Kozloduy nuclear power plant. Bulgaria's refusal to mark up electricity does not mean that it will not receive the World Bank's Financial Sector and Enterprises Structural Adjustment Loan (FESAL), Tsochev said. He recalled that this is one of the World Bank's conditions for the loan. Wilfried Thalwitz, Director for Europe and Central Asia Rachel Lomax and Resident Representative John Wilton were received by Deputy Prime Minister and Minister of Economic Development Rumen Gechev. The sides discussed privatization, financial discipline and upgrading the banking sector in this country. The World Bank mission also met Prime Minister Zhan Videnov, said the cabinet's Press Office. The talks focused on FESAL-related practical steps, as the sides unanimously agreed on the need for such measures. The prime minister told the guests that the cabinet has developed a voucher privatization scheme to be launched this summer. Electricity prices in Bulgaria were also on the agenda. Zhan Videnov reportedly stressed the cabinet's efforts to provide compensations to low-income families. He also said prices in Bulgaria will go up gradually to prevent the growth of inflationary pressure. (Sofia BTA in English 1743 GMT 18 Apr 95)

1994 ECONOMIC DATA: The performance and the state of the Bulgarian economy in 1994 and its projected development in 1995 and 1996 were the topics of a news conference given here today by the chief of the National Statistical Institute (NSI), Zakhari Karamfilov. In 1994 the GDP totalled 543 billion leva in current prices, which was 1.4 percent up from 1993. This is the first positive GDP growth registered in Bulgaria since 1989, Karamfilov said. Services accounted for the greatest share of the gross added value with 52 percent, followed by the industrial and the agricultural sectors with 36 percent and 12 percent respectively. Last year saw a growth in the share of the private sector in forming the GDP, Karamfilov said. Private sector gross added value amounted to 150 billion leva, 8.3 percent up from 1993. Private sector contribution was largest in trade and agriculture. In 1994 industrial output totalled 468 billion leva in current prices, which is 4.5 percent up from 1993, the NSI chief said. Nine of the total of 18 industrial branches increased their output, the chemical and oil processing industries and ferrous metallurgy marking the highest growth—35 percent and 19 percent respectively. The drop in the output of the food processing industry (7.4 percent) and of electronics and mechanical engineering (7 percent) has had a negative impact on overall industrial development. The output of private industrial enterprises increased 3 billion leva (1.5 percent) from 1993. The private sector share was largest in the food processing industry, which is the result of larger output in plant growing. In 1994, foreign commercial exchange amounted to 441 billion leva, exports accounting for 225.5 billion leva and imports for 215.9 billion leva. It was 2.8 percent down from 1993. For the first time since 1989 Bulgaria's foreign trade balance was positive with a surplus of 9.5 billion leva. However, according to Karamfilov, this is the result of the 14-percent drop in imports. In 1994 the volume of Bulgarian exports to the CIS remained the same and that for Central and Eastern Europe and the EU increased. The tendency towards a decrease in the number of unemployed persisted in 1994, the NSI chief said. The depreciation of the real incomes of the population continued in 1994. Over the past four years these decreased almost two-fold. The NSI projections for 1995 and 1996 are based both on the tendencies which have emerged in this country's socio-economic development and on the expected developments in the economy this year, Karamfilov said. According to the NSI projections, economic recovery and stabilization will continue. The NSI is expecting a growth in investment, including in foreign investment, and its gradual concentration into technological equipment and production adjustment. New jobs will be opened, and inflation and unemployment will shrink. The statisticians are also expecting a gradual halt in the drop of incomes and activation of internal consumption. For 1995 they project a GDP growth of about 1.5 percent, which under more favourable conditions could reach 3.5 percent, and between 2- and 4-percent GDP growth for 1996. According to the NSI, the share of the private sector in the GDP will continue to grow and reach between 40 percent and 42 percent in 1995 and between 44 percent and 48 percent in 1996. The statisticians project an inflation rate of 55-65 percent for 1995 and of 40-50 percent for 1996. (Sofia BTA in English 1448 GMT 20 Apr 95)

BNB BASE INTEREST: The Board of Governors of the BNB has decided that a new interest rate of 60 percent will take effect as of 25 April 1995. The grounds given by the BNB governors for their decision are the low inflation rate, the decline in the prices of government-monitored goods in the first half of April, the favorable reaction of the foreign exchange market since 10 April, when the BNB first reduced the base interest rate, and the continuing fall in the dollar-lev exchange rate. (Sofia Khorizont Radio Network in Bulgarian 1700 GMT 20 Apr 95)

CUSTOMS CLEARANCE CHARGES: A 10-fold increase in the ceiling of the fee for customs clearance of goods went into effect on 21 April. The fee is now 3 percent of the goods' taxable value, but not more than the leva equivalent of $1,000. The DUMA daily comments that the step benefits major exporters of expensive goods, while small- and medium-sized exporters will be heavily disadvantaged. According to DUMA, to earn a profit an exporter must ship goods worth over $35,000, which happens very rarely. (Sofia BTA in English 1004 GMT 21 Apr 95)

INCOME TAX CHANGES: At its meeting on 20 April the cabinet approved tax changes embodied in an income tax bill to be submitted to the National Assembly. According to the proposals, incomes below 2,500 leva per month will be tax free, while the basic tax rate incomes up to 5,000 leva will be 18 percent. The proposed higher tax rates are: on earnings between 5,001 and 10,000 leva, 20 percent; 10,001-20,000 leva, 24 percent; 20,001-40,000 leva, 28 percent; 40,001-80,000 leva, 32 percent; 80,001-240,000 leva, 36 percent; 240,001-450,000 leva, 40 percent; and 44 percent on earnings in excess of 450,000 leva. Workers employed on civil contracts will again have 10 percent deducted in advance from their monthly taxable earnings. The cabinet agreed to allow private medical practitioners and dentists certain expenses and also exempted from income tax holiday vouchers, transportation costs, food coupons, and certain other perquisites. (Sofia STANDART NEWS in Bulgarian 21 Apr 95 p 11)

GAS COMPRESSOR STATION: A new gas compressor station has been completed near Sofia. According to Bulgargaz Executive Director Angel Popov, Executive Director of Bulgargaz, it will supply gas to Greece, The Former Yugoslav Republic of Macedonia, and Yugoslavia. If next week's trials week are successful, the station will be formally opened at the beginning of June. At the moment Bulgargaz is constructing two thermoelectric power plants for the export of electricity to Greece and Turkey under agreements with FYROM and Serbia, and it has completed the work on the gas pipeline from Dupnitsa to Petrich, in southwestern Bulgaria. (Sofia BTA in English 1547 GMT 23 Apr 95)

GEOCOM CONTRACT IN LIBYA: DUMA and PARI report today that the firm of Geocom has won a $13-million contract to prospect for oil in Libya in a tender competition organized by the Italian company Agip. According to Geocom chief Aleksandur Tsonev, with the contract already signed, workers can now expect to get their outstanding wages, which have not been paid for three years, within three or four months. (Sofia BTA in English 1007 GMT 26 Apr 95)

BALKANTOURIST PLANS: Balkantourist, Bulgaria's leading tour operator, will establish its own network of overseas agencies, DUMA reports. The PARI business daily notes that Balkantourist Inc. is already an all-private company. Bulgarian Tourist Holding Inc. (affiliated to the Multigroup private conglomerate) has bought 51 percent of the national tour operator, while the management team has acquired a 29-percent block of shares. (Sofia BTA in English 1007 GMT 26 Apr 95)

PHARE PROGRAM PROBLEMS: Today, Rumen Gechev, deputy prime minister and minister of economic development, met Thomas O'Sullivan, head of Delegation of the EU Commission to Bulgaria, to discuss problems with implementing projects under the PHARE (Economic and Reconstruction Aid for Poland and Hungary) Program. It was pointed out that the work of the Bulgarian side so far is unsatisfactory. Considerable sums allocated under the program have not been utilized, despite the country's difficulties. Gechev said the government would seek new ways to organize projects related to economic adjustment and speed up the utilization of the funds. According to O'Sullivan, $900 million has been allocated in gratuitous aid for speeding up reforms in Bulgaria. (Sofia BTA in English 1846 GMT 26 Apr 95)

Croatia

AU0102123295 Economic Review—FOR OFFICIAL USE ONLY

COST OF LIVING: Retail prices in Croatia were higher by 0.7 percent this January than in December last year. Living costs rose by 0.8 percent in the same period. Prices of commodities increased by 0.7 percent, while prices of services were higher 2.1 percent in January than in last December. (Zagreb HINA in English 1106 GMT 1 Feb 95)

PRIVATIZATION: Croatian Prime Minister Nikica Valentic today told a government session that retail prices increased by 0.7 percent from December. But the prices of services, such as kindergartens, garbage disposal and technical inspection of vehicles, increased by 1.9 percent. "In a situation of zero inflation, no one should up the prices of services and certainly not by 40 to 50 percent," Valentic admonished. He instructed all ministers to have an analysis of the prices in their sector made by next week. "Without a steady privatization process, we will not be able to realize our economic program," Valentic said, adding that some results had been achieved but the privatization process was still lagging behind. Finance Minister Bozo Prka reported on the results of a joint financial and customs police campaign to fight tax evasion. "We shut down 70 catering and vending facilities and nailed a ring of smugglers," Prka enthused. (Zagreb HINA in English 1403 GMT 2 Feb 95)

OWNERSHIP TRANSFORMATION: The Croatian Privatization Fund (HFP) issued clearance for the ownership transformation of 2,601 firms, valued at 24.48 billion German marks (DM). So far the ownership transformation has been completed in 2,452 Croatian firms. Under the present process of ownership transformation the shares were paid for DM1.67 billion, which included a 25.5 percent cash payment, and 74.5 percent paid by the frozen foreign currency deposit. The HFP has accepted 72 of the 417 complaints on the process of the ownership transformation. In five cases the fund rescinded clearance for the transformation, and in another 67 it ruled that incorrect procedures be removed in the process. The HFP has rejected 201 complaints, while nine complaints have been withdrawn. It is now investigating the rest of them. At the same time, the HFP is the defendant in 343 law suits filed with relevant courts. The HFP has filed one lawsuit with the Commercial Court for revoking the ownership transformation and has appealed twice to the Constitutional Court. (Zagreb HINA in English 1430 GMT 2 Feb 95)

FAMILIES IN NEED: The Labor and Social Welfare Ministry statistics recorded that by the end of January 113,058 Croatia's families had social welfare cards. Overall, 60 percent of the 241,184 people who were on social welfare had never been social welfare recipients before. The majority of them were unemployed persons (31,688), people unfit to work (26,279), employed persons (18,117), pensioners (30,000) and farmers (6,174). Last year, 659,680 food packages worth DM33 million were given away. (Zagreb HINA in English 1349 GMT 13 Feb 95)

STABILIZATION PROGRAM: Prime Minister Nikica Valentic told a government session today that the government should prepare a detailed study for the second, restructuring stage of the stabilization program and submit it to parliament in two weeks. The government had sufficient financial backing and know-how to implement the program, but only as an integral package of measures and without agreeing to partial solutions, Valentic said. It was the government's view that privatization should not be deferred, because it was closely linked with restructuring, he said. The government also granted a $7-million budget loan to the Sibenik-based Light Metals Factory and the Sisak Ironworks. "We cannot allow these companies to close down, because we would have to face grave social consequences," Valentic said. But he warned other companies not to hope for such loans in the future because the was no more money for them. (Zagreb HINA in English 1440 GMT 16 Feb 95)

FEB RETAIL PRICES: Retail prices in February were 0.1 percent higher than in January but were down by 0.8 percent on last year's figures, the Statistical Bureau said today. Living costs in February increased by 1 percent compared to the previous month and were 4.5 percent higher than in February last year. (Zagreb HINA in English 1203 GMT 1 Mar 95)

INDUSTRIAL PRODUCTION: Croatia's industrial production increased by 5.1 percent in the first three months of this year. The production of raw materials increased by 6.6 percent, the production of equipment by 4.2 percent, while the production of mass consumption goods increased by 3.6 percent, the State Institute for Statistics said. Greatest increase was achieved in petrol and petroleum derivatives production, followed by electric appliances, chemicals etc. (Zagreb HINA in English 1602 GMT 14 Apr 95)

Czech Republic

AU2403102995 Economic Review—FOR OFFICIAL USE ONLY

AIRCRAFT ENGINES TO RUSSIA: Aero Holding sold a 66-percent stake in its subsidiary Motorlet (manufacturer of small aircraft engines) to a Czech businessman, Emilian Fould, for Kc0.5 billion. Motorlet, which is returning to its original name of Walter, reported losses of 300 million korunas (Kc) in 1993 and, although the losses were reduced, the enterprise was also in the red last year. The debts—totalling Kc800 million—correspond to 80 percent of Motorlet's capital stock. Fould speaks of plans to expand the firm's markets, achieve a profit next year, and get Motorlet listed on the stock exchange. There are many L-410 aircraft in the former USSR, he says, that need a new engine or an overhaul. Barter trade is used as a means of payment. According to Fould, the firm purchases raw materials in the former USSR on the basis of revolving transferable letters of credit. An agreement has been reached with the banks regarding the reduction of the debts and payment schedule for the purchase of Motorlet. Sales of the U.S. certified M-601 engines, currently being negotiated, should help to meet the obligations. (Prague HOSPODARSKE NOVINY in Czech 16 Mar 95 p 6)

EBRD LOAN TO SKODA PLZEN: The European Bank for Reconstruction and Development (EBRD) signed a loan contract with Czech Skoda Kovarny (Forge—SKP) Plzen on Wednesday, 15 March. The company will receive a total loan of Kc780 million for modernizing its production facilities, of which the EBRD will provide Kc580 million. The remaining Kc200 million will come from the Czech bank Komercni Banka (KB). These loans will facilitate the purchase of equipment for the production of finish machined smith forged pieces intended for export. The Czech Republic (CR) will thus become the third producer in the world—after Japan and Germany—with the technological capacity to do everything from ingot casting to producing finish machined crank shafts. (Prague CTA in English 1442 GMT 16 Mar 95)

NEW NAME FOR CSA: As of 26 March 1995, the Ceskoslovenske Aerolinie (Czechoslovak Airlines) will have a new name—Ceske Aerolinie, a.s. (Czech Airlines, Co.). No changes will be made in the legal statutes of the company or its financial and legal obligations as a result of the new name. Ceske Aerolinie will assume all obligations from existing contracts signed by Ceskoslovenske Aerolinie. (Prague CTA in English 1443 GMT 16 Mar 95)

LOAN TO KAZAKHSTAN: The $30 million loan that ING Bank intends to grant to the Kazakh Government for imports of Czech goods is not sufficient to cover the wishes of Czech exporters and the requests of Kazakh buyers. According to ING Bank General Manager Jan Struz, the deal—to be arranged by a consortium of banks led by ING and joined by ABN Amro, Pragobanka, and Investicni a Postovni Banka—has yet to be finalized because of the current reshuffling in the Kazakh Government. Earlier this week, Kazakh President Nursultan Nazarbayev dissolved the parliament and the government of Prime Minister Akezhan Kazhegeldin following allegations of irregularities during the 1994 elections. Nevertheless, Struz said he does not expect these "technical problems" to jeopardize the long-term execution of the project. Specific Czech exports—to be financed by the loan, which will be guaranteed by the Czech state agency EGAP, and have a maturity of up to three years—will include valves, tubes, vans, trucks, buses, locomotives, and spare parts for machinery delivered during the COMECON era. The distribution of the loan to Kazakh importers will be carried out by a bank to be appointed by the Almaty Government. Struz noted that ING has already held unofficial talks with Eximbank, the only Kazakh bank currently authorized to grant state-secured loans. As far as the long-term prospects for trade between the CR and this Central Asian country, Struz pointed out that as well as offering a good market for Czech goods, Kazakhstan has enormous energy and mineral reserves that make it a valuable source of raw materials. In addition to its 26 million metric tons of crude oil and 8 billion cubic meters of natural gas, Kazakhstan mines substantial amounts of chromium, copper, lead, and zinc. (Prague CTA in English 1108 GMT 17 Mar 95)

OMNIPOL SEEKS MARKETS: The Omnipol Prague Co. (one of the top 10 foreign trade firms in the country, capital stock of Kc1.616 billion, staff of 265) reports a net profit of Kc120 million (down from Kc122 million in 1993) on a turnover of Kc3 billion (down from Kc4.7 billion). The decline was caused mostly by the canceled orders of aviation material. The company's great problem is the changed arms production basis in the CR. Thus, the arms trade was responsible for only 20 percent of last year's turnover. Only spare parts and repairs seem to have good prospects in this area. Some recovery in the arms trade could result from orders connected with the modernization of the Czech Army. The decisive factor here is the part that the Czech industry will play in this process. In the meantime, the company is making up for the decline in arms trade by transactions in related civilian goods. (Prague HOSPODARSKE NOVINY in Czech 17 Mar 95 p 6)

MALT PRODUCTION: The largest producer of malt in the CR (168,000 metric tons of malt, i.e. 40 percent of the country's total production of 409,000 metric tons), Obchodni Sladovny, Co. (OS) Prostejov, reports for 1994 a turnover of Kc1.1 billion. The pretax profit reached Kc64.8 million. OS exports 60 percent of its output. (Prague HOSPODARSKE NOVINY in Czech 17 Mar 95 p 6)

KRALOVOPOLSKA DEBTS: Following its privatization, when a 51-percent stake in the company was acquired by a limited company comprised of the management, the Kralovopolska company intends to pay off its Kc736 million debt to Konsolidacni Banka, the

Kc234 million it owes in interest and punitive interest to the state treasury, and the Kc79 million losses incurred from its "unfortunate" pipe production program. Kralovopolska's last year turnover reached Kc2.6 billion, and its profit approximately Kc100 million. (Prague LIDOVE NOVINY in Czech 17 Mar 95 KORUNA supplement p viii)

EBRD LOAN TO IPB: The EBRD will provide the Czech bank Investicni a Postovni Banka (IPB) with a $50 million loan. Representatives of both institutions signed the loan contract in London on 17 March, IPB press spokesman Jan Rezek reports. "The loan, with a maturity of six years, has been concluded under the standard interest rate conditions of the EBRD, i.e., 1 percent above the LIBOR (London Inter-Bank Offered Rate)," said Rezek, who added that more advantageous conditions cannot be obtained from EBRD. IPB will use the loan for pre-export and export financing of Czech customers. At the beginning of this year, IPB obtained a $100 million loan from a consortium of foreign banks under very advantageous terms—the interest rate was O.65 percent above the LIBOR. (Prague CTA in English 0706 GMT 18 Mar 95)

POLDI OCEL CONTRACTS: According to the domestic trade manager of Poldi Ocel Kladno, Frantisek Slavik, the Czech industry's demand for the company's steel has risen by 15 to 20 percent compared to 1994. Contracts for a total supply of 56,000 metric tons of high-grade steel valued at more than Kc1 billion were just added by Poldi Ocel Director General Stehlik. Since 9 January 1995, Poldi has won several contracts backed by foreign capital amounting to Kc2.5 billion. All Poldi plants have been working at full capacity, which proves that the Bohemia Art company, owned by Stehlik, is implementing the POLDI 2000 project, with which it won the privatization tender for Poldi. (Prague CTA in English 0708 GMT 18 Mar 95)

SKODA BETA: The Skoda Beta, a front wheel drive, double-seated utility car with integrated freight space suitable for transporting EURO pallets, will be produced in the near future by the Skoda Plzen company. The first 30 prototypes can already be seen on roads in western Bohemia. "We intend to start production in the near future in a factory constructed abroad," said Skoda Plzen press spokesman Jaroslav Hudec on 17 March. Skoda expects to produce 100,000 of these vehicles annually. Hudec did not specify where the factory is, and as for the price of the new car, he only said it would be low. The body of the car is glued to a steel frame and is made of composite plastic. The undercarriage parts, engine, gears as well as the interior and accessories are the same as those in the Skoda Favorit. (Prague CTA in English 0712 GMT 18 Mar 95)

TUNISIAN TRADE: Total turnover of trade between Tunisia and the CR reached $19.8 million in 1994. The CR exported to Tunisia goods worth $18.3 million, while imports totalled $1.5 million. Tunisia is one of the CR's most important business partners in Africa, according to the Czech Ministry of Trade and Industry. Czech exports to Tunisia are rising while imports remain lower. Czech importers do not show much interest in Tunisian goods, citing poor quality. The CR exports mainly steel, milk powder, Zetor tractors, chemical products, electric appliances, wrapping paper, and costume jewelry. Tunisia exports mainly dates, pepper, oranges, sardines, and some industrial goods to the CR. No Czech-Tunisian joint venture has been established in Tunisia so far. (Prague CTA in English 0645 GMT 19 Mar 95)

AVIA CAR PLANS: The Daewoo-Steyr consortium plans to produce approximately 50,000 vehicles per year (25,000 of them utility vehicles) in its Avia Letnany plant, and the production of cars is also being considered. Daewoo-Steyr purchased a 34-percent stake in Avia in January, and does not hide its intention to obtain a majority holding in the company. Avia has overcome the serious problems of the recent past, and is beginning to prosper—truck sales have grown by 50 percent. This year, Avia plans to sell 5,600 vehicles, which is 1,200 more than in 1994. The demand for some truck models is so high that the company cannot satisfy the market. (Prague RUDE PRAVO in Czech 18 Mar 95 p 2)

PLANT STRIKE OFF: The strike scheduled for next week at Sellier & Bellot ammunition plant has been canceled. Labor union members and company executives have reached an agreement on wage increases in 1995, which should reach at least 10.5 percent. Wages will go up 1.5 percent on 1 March. The strike was announced last week by the labor unions because negotiations concerning the collective agreement had hit a snag. (Prague MLADA FRONTA DNES in Czech 18 Mar 95 p 14)

RIF INVESTMENT FUND: The RIF company increases its capital stock from Kc3.7 billion to Kc7.840 billion as of 21 March, the Prague Stock Exchange (PSE) announced 19 March. The capital stock has been divided into 2,000,001 registered shares and 5.84 million transferable shares with a nominal value of Kc1,000 each. RIF's share price increased by 2.45 percent on 17 March at the PSE to close at Kc500. (Prague CTA in English 1452 GMT 19 Mar 95)

BEER PRODUCTION, CONSUMPTION: Higher beer prices in February this year resulted in lower demand and a drop in production in the CR, revealed a report by the Research Institute for Agricultural Economics, part of the Czech Ministry of Agriculture. Consumers showed a preference for beer with lower alcohol content. Exports to Eastern markets fell, and increasing exports to the West could not compensate for this decline. In 1993, Czech breweries produced 1.780 million liters of beer, 166 million less than the previous year. In the first half of 1994, beer output totalled 859.9 million liters, or only 98.3 percent of that produced during the same period in 1993. The report expects total beer output to be approximately 1.825 millions liters in 1994. Beer consumption per capita was 163.3 liters in 1992, with the CR ranking first on world charts. In 1993, consumption fell to 153.6 liters, but in 1994 it recovered slightly, up to 155.3 liters per year. (Prague CTA in English 0642 GMT 20 Mar 95)

NO MORE TAX BREAKS: The Ministry of Finance will not include most of the requests made by industrialists and entrepreneurs in the tax law amendment for next year, which it is drafting now. Deputy Minister of Finance Jan Klak reported that the cabinet has accommodated taxpayers as much as possible so far, and does not expect any major changes. The amendment should be ready for debate by the ministers at the end of March. According to Klak, because the tax amendment will reduce the state budget by Kc15 to 20 billion, it is not possible to deprive the budget of any other source. He also basically ruled out the possibility of further negotiations with the business community, which has requested almost 50 changes to the laws on taxes and fees, income tax, value added tax, as well as the law on social and health insurance. (Prague MLADA FRONTA DNES in Czech 20 Mar 95 p 14)

SKODA PLANS GAS ENGINES: Skoda Diesel is currently planning production of gas engines for Russian oil firms. Director General Jindrich Dolezal said that the engines will run on the natural gas that has been escaping from the oil drills of which no use has so far been made. This type of energy is not yet commonly used on a large scale anywhere in the world. The engine room and generator have a total capacity of over 7 MW, and should produce enough electrical energy to run the Russian drilling equipment. The waste heat will be used to heat the buildings. (Prague RUDE PRAVO in Czech 20 Mar 95 p 12)

TATRA TO BID: This summer, the Tatra Koprivnice automobile manufacturer will participate in a public tender to supply wheel technology to the Army of the United Arab Emirates. The new Tatra VVN 8x8 truck, which is equipped with a 500 horsepower water-cooled engine, an American Twin Disk automatic transmission, hydraulic hand and automatically inflatable tires suitable for desert terrain, will be introduced at a trade fair in Abu Dabi on 19 March. If Tatra wins the tender, it would receive the order to supply several thousand vehicles. (Prague RUDE PRAVO in Czech 20 Mar 95 p 12)

CHEMAPOL PRIVATIZATION PLAN: If no agreement is reached in the talks between Unipetrol and the International Oil Companies, the Chemapol Group will resubmit its own recommendation to privatize the Czech refining and petrochemical industries. Chemapetrol Director General Vladimir Junek says. This project does not differ much from the so-called "Czech way," even though this means taking into consideration steps that have already been taken. The Chemapol Group would thus reconcile itself to the founding of the Ceska Rafinerska (Czech Refineries), despite not understanding the advantage in splitting up the refineries, and retaining the view that it would be best to keep the entire complex of refineries and petrochemicals as a single entity. (Prague HOSPODARSKE NOVINY in Czech 20 Mar 95 p 1)

PRICE OF WOOD: According to the Czech Statistical Office (CSU), the market price of raw lumber rose by 10.2 percent in the CR last January in comparison with January 1994. (Prague LIDOVE NOVINY in Czech 20 Mar 95 KORUNA supplement p i)

NOVA HUT OUTPUT: January production of crude steel at Nova Hut (New Foundry) reached 127.89 percent of the output of the same month last year (201,645 metric tons). Compared to January 1994, the increase in pig iron production was 22.29 percent and sales rose 10.67 percent. Nova Hut's profit this January was Kc46.17 million, which is only 49 percent of last January's profit. (Prague LIDOVE NOVINY in Czech 21 Mar 95 KORUNA supplement p viii)

JANUARY CONSTRUCTION: Czech construction companies executed construction work worth Kc7.799 million in Janaury 1995, 7.1 percent more than in January last year. The CSU released this information on 21 March. In January 1995, companies with 25 and more employees executed construction work worth Kc6.359 million, an 8.9-percent increase over the same period in 1994. A total of 1,657 construction companies with 25 and more employees were active in the CR in January 1995, which is 45 more than in December 1994. The overwhelming majority of these companies (95.5 percent) belong to the non-state sphere, of these 87.9 percent are privately owned. (Prague CTA in English 1535 GMT 21 Mar 95)

COMPULSORY CERTIFICATION: Beginning 5 May 1995, Slovakia will introduce compulsory certification for more Czech products. This measure will definitely cancel the direct recognition of tests done by official Czech laboratories in the Slovak Republic. Alena Prasilova, assistant to the chairman of the Office for Technical Standards, Metrology, and State Testing (UNMZ), informed journalists about this change on 21 March. "The UNMZ has sent a proposal to adjust the existing agreement to the relevant Slovak office in order to have at least the results of the tests carried out in the other country recognized. The only real solution to the certification problems would be, however, to conclude an agreement on complete mutual recognition of certificates," Prasilova said. She also said it is not possible to link the decision of the Slovak side completely to the proposal of Czech Minister of Finance, Ivan Kocarnik, on the termination of the clearing payment system and the transition to convertible currencies in bilateral trade. "This development began two years ago with the requirement for compulsory certificates on food products and now it is continuing gradually with other commodities," Prasilova added. (Prague CTA in English 1555 GMT 21 Mar 95)

THIRD WAY FOR RAILROADS: The privatization project for Czech Railroads (CD) has not been prepared well enough to resolve all of the problems of the company, Prime Minister Vaclav Klaus claims. For this reason the economy ministers did not approve either of the two suggested methods for the privatization of the national railroad company. "A third, so-called unitarian, version arose from yesterday's negotiations, which basically preserves the current structure of the railroad. Naturally, this includes its privatization," according to Ministry of Transportation spokesperson Pavel Kafka. He added that Transportation Minister Jan Strasky has been given two weeks to rework both original versions of the project and assess the third version. The economy ministers also resolved the issue concerning privatization of regional lines at yesterday's meeting. "This was agreed upon in both CD transformation versions and represents one-third of all the regional lines. This type of privatization can be used in the third version as well," Kafka explained. Regarding the suggestion made by Ceskomoraska Dopravni Spolecnost, a transportation company that would like to become the nationwide transporter of all commodities, Kavka pointed out that the existing law already permits other transporters to use the railroads. "It is a question of whether they would be able to solve this problem to such a large extent," Kafka concluded. (Prague CTA in English 1115 GMT 22 Mar 95)

TRADE WITH SOUTH AFRICA: Returning from a five-day visit to South Africa, Agriculture Minister Josef Lux told journalists that potential trade relations between the CR and South Africa are much greater than the annual volume of $20 million would suggest. "After negotiating with firms, we signed concrete agreements for cooperation in agriculture and food production with South African Minister of Agriculture Andre Isak van Nierkerk, and this should really stimulate trade," Lux said. (Prague CTA in English 1128 GMT 22 Mar 95)

COMPANY TAX: The Czech Finance Ministry is to propose a range of tax cuts to Parliament including a two-point reduction in corporate tax to 39 percent, Finance Minister Ivan Kocarnik told the International Banking and Finance Forum this morning. "Corporate tax will fall starting January 1, 1996 to 39 percent. That is a big change because in 1993 (these) tax rates were higher than 45 percent," said Kocarnik. Kocarnik also told the European Banking and Finance Forum that Czech fiscal policy had three medium-term goals—the lowering of government expenditure, the stabilization of government debt, and the achievement of a balanced budget. (Prague CTA in English 1129 GMT 22 Mar 95)

INDUSTRIAL DEVELOPMENT: The CSU recently conducted a national survey of 879 industrial companies on expected industrial growth for March-May 1995, in comparison with the situation in February 1995. The overall economic situation from March to May 1995 is expected to remain at the same level as in February in companies manufacturing 66 percent of all products. The companies that produce 30 percent expect the situation to improve, and the companies producing 4 percent of goods expect the situation to deteriorate. The companies that produce 63 percent of goods do not expect the level of total demand to change, the companies responsible for 32 percent of the production hope the demand will pick up, and the companies that produce 5 percent of the total output expect it to decline. Respondents from the companies that produce 36 percent of goods expect their total exports to increase, the companies that produce 61 percent of goods do not expect any changes in their exports, and the companies with 3 percent of production are expecting declines. Over the next six months, the companies that produce 36 percent of the good expect their economic situations to improve, the companies with 3 percent of production expect their situations to deteriorate, and the companies responsible for producing 61 percent of the goods do not expect any changes. (Prague CTA in English 1530 GMT 22 Mar 95)

CSOB SLOVENE BANK LOAN: The CSOB (Czechoslovak Foreign Trade Bank), the third largest Czech bank, signed a credit contract with Nova Ljubljanska Banka of Slovenia in Ljubljana on 21 March, CSOB spokesman Milan Tomanek announced on 22 March. "The Nova Ljubljanska Banka will receive a $10 million loan to finance the export of Czech technology to Slovenia," Tomanek said. The concluded contract is part of the CSOB's aim to support Czech exports and provide Czech exporters with competitive terms of payment on the international market. (Prague CTA in English 0648 GMT 23 Mar 95)

CONSTRUCTION INDUSTRY: A national survey of the prosperity of 436 construction companies was conducted by the CSU at the beginning of March. The survey covered expected development from March to May in comparison with February 1995. The business activities in February were reported to be stable in 72 percent of companies, declining in 7 percent, and rising in 21 percent. Construction activity in February, compared to the previous month, increased in one-fourth of the companies, decreased in 13 percent, and remained unchanged in the remaining companies. From March to May, companies expect the economic outlook to remain at the same level as in February for 52 percent of their activities, while they expect it to improve in 43 percent of activities, and decrease in 5 percent. Companies expected higher total demand for 43 percent of their activities, a decline in 10 percent, and no change for 47 percent. No change is expected in the employment rate by 53 percent of companies, while 14 percent predict a decline, and 34 percent expect the number of employees to increase. 63 percent of the companies believe their economic situation will improve over the next six months, while 6 percent predict a decline. The remaining 31 percent think their situation will remain the same, compared to February. (Prague CTA in English 0704 GMT 23 Mar 95)

PRIVATIZATION: At its meeting on 23 March, the Czech Government decided on the privatization of 30 companies worth Kc300 million, Ladislav Pistora of the government's press department announced. The companies will be privatized through direct sale to purchasers selected in advance. The government also discussed the plan submitted by Transport Minister Jan Strasky on the financing of the addition to the Praha-Ruzyne airport terminal. The government approved the granting of a state guarantee for bank loans to finance the new airport terminal's construction. (Prague CTA in English 0711 GMT 23 Mar 95)

BANKA HANA BONDS: Banka Hana (capital stock of Kc750 million, 1994 net profit of Kc75 million) uses Kc1 billion bond issue to strengthen its medium-term resources, which are used to provide loans and to acquire securities. So far, over 90 percent of the issued bonds have been sold. The 13-percent bonds were introduced on the PSE's over-the-counter market on 21 March 1995 and will mature on 20 December 1997. (Prague CTA in English 1223 GMT 23 Mar 95)

FNM REDUCES OVERDUE CLAIMS: National Property Fund (FNM) Chairman Roman Ceska reports that on 28 February 1995 the amount of the Fund's overdue claims from the privatization process reached a total of Kc7.595 billion, or Kc120.6 million less than at the end of January 1995. (Prague LIDOVE NOVINY in Czech 23 Mar 95 KORUNA supplement p i)

ADAMOVSKE STROJIRNY: After a two-year pause, the Adamovske Strojirny (Adamov Machine Tool Works) will renew its traditional arms production this year. The company director, Jan Dosek, says the firm received an order for the Grad missile equipment from Vietnam, and it also won one of the tenders to supply arms to the Czech Army. (Prague MLADA FRONTA DNES in Czech 23 Mar 95 p 14)

AIRPORT TERMINAL CONSTRUCTION: On 22 March, the government approved state guarantees for the Investicni a Postovni Banka's credit of Kc6.7 billion for the construction of a new terminal at Prague's Ruzyne airport, despite refusing the same guarantees to the PIACD consortium of foreign companies last year. The head of the Office of the Minister of Transport said that the state credit guarantees were the last obstacle to the commencement of construction, which is now expected to start in the second half of the year. Construction has been delayed by more than one year. (Prague MLADA FRONTA DNES in Czech 23 Mar 95 p 15)

TRADE DEFICIT IN 1995: According to the Ministry of Economy, a trade deficit of Kc20 to 40 billion is expected in the CR for 1995. Moreover, the ministry expects a similar deficit for 1996. (Prague RUDE PRAVO in Czech 23 Mar 95 p 8)

CEZ FINANCIAL PLANS: CEZ (Czech Power Generating Works, the largest Czech utility company) expects the cost of electricity to increase by 15 percent in 1996, said Gabriel Eichler, vice chairman of CEZ board of directors. The cost of electricity is regulated by the government, and therefore changes depend on the decisions of the government. Eichler went on to say that CEZ intends to invest Kc126 billion by 1998. A total of Kc42 billion will go to complete the construction of the Temelin nuclear power plant, one-third of the total will cover ecological costs, and the rest will be used for the nuclear power plant in Dukovany. CEZ will join the West European energy network by 1996. Eichler stated that CEZ will acquire the finances needed by means of loans and bond issues. The company has already issued bonds twice, in cooperation with Ceska Sporitelna (Czech Saving Bank). The two issues totalled Kc2.1 and 4 billion, respectively. Another issue with a maturity of 10 years will be floated in May. The World Bank has provided CEZ with a loan of Kc240 million to restructure its network. (Prague CTA in English 0713 GMT 24 Mar 95)

TRADE DEFICIT REVISED: The CSU reports that the Czech 1994 foreign trade deficit, originally estimated at Kc12.5 billion, has been revised to Kc24 billion. According to the report, total exports decreased by 1.4 percent, while imports rose 6.3 percent. A spokesman for the Office said, however, that the customs offices nationwide are submitting new results, so further changes can be expected. (Prague CTA in English 0731 GMT 24 Mar 95)

REFINERIES MERGER: A merger between the Kaucuk Kralupy and Chemopetrol Litvinov refineries could be approved at the next general meetings of both companies, which legally must be called by 30 June. This was reported by Chemopetrol Director General Dusan Nepejchal on 24 March. Because the proposed merger is very complicated and involves property worth billions, in addition to the Czech legislature still having to specify shareholders' rights, Nepejchal maintains that the meeting and merger could both be postponed. "This is quite a delicate issue, so I would rather not give out any details," Nepejchal stated, claiming that unfounded rumors could lead to an undesirable reaction abroad. (Prague CTA in English 0627 GMT 25 Mar 95)

HUNGARIAN IMPORT SURCHARGE: The introduction of the 8-percent import charge and plans to increase the excise duty in Hungary would worsen the position of Czech exporters on Hungarian markets, said the first secretary of the Czech Embassy in Budapest, Ladislav Petrus. Increasing the excise duty and imposing a higher import charge would result in price increases of 10 percent on the Hungarian market. Hungary decided to impose the 8-percent import charge in order to decrease the high deficit level in foreign trade. According to Petrus, the import charge does not affect imports of investment units, primary sources of energy, and debt payments. Electricity, fuel for nuclear power plants, bituminous coal, and anthracite (coal) also belong to this category of goods. (Prague CTA in English 0642 GMT 25 Mar 95)

AGRICULTURE, FORESTRY GRANTS: As of 21 March there were a total of 3,115 requests for grants and loan guarantees submitted to the Fund for the Support and Guarantee of Agriculture and Forestry (PGRLF). According to the Ministry of Agriculture, 2,857 of them have been approved, and 253 rejected. Private farmers submitted the largest number of requests, a total of 1,613, and 106 of them were refused. A total of Kc2,222.898 million in credit was approved for private farmers, Kc784.704 million in guaranteed loans, and Kc499.104 million in grants. The Agricultural Cooperatives placed 727 requests, 40 of which received a negative response. The cooperatives received a total of Kc2,597.786 million in credit, Kc488.679 million in guaranteed loans, and Kc457.651 million in grants. Limited liability companies were responsible for a total of 497 requests, 70 of which were refused. These companies were awarded Kc1,818.392 million in credit, Kc709.392 million of which was in guaranteed loans, and Kc317.007 million in grants. A total of 215 applicants were stockholding companies, and 22 of these received no credit. They received Kc1,112,414 for credits, loan guarantees totalled Kc232.498 million, and grants Kc194.008 million. (Prague CTA in English 0658 GMT 25 Mar 95)

POLISH HARBOR: Czech goods make up the greatest volume of the total goods that pass through the Polish harbor of Szczecin, comprising 41 percent of the entire volume. This information was released by the business manager of the Szczecin harbor, Andrzej Montwill. According to Montwill, the total amount of goods passing through the harbor reached 15,681,541 metric tons. Transit transfers contribute greatly to the total turnover, reaching 18 percent. According to Montwill, the greatest share of Czech goods are individually sold goods (888,772 metric tons) and coal (208,082 metric tons). The Szczecin harbor is the main harbor for the CR's overseas trading. Montwill stated that they will introduce a customs free zone over an area of 4.5 hectares, starting this June. (Prague CTA in English 0700 GMT 25 Mar 95)

AIRLINES SHARES: CSA will most probably strengthen its financial position by issuing shares totalling almost Kc750 million. The CSA shareholders agreed at the end of February to a private issue of 46,683 shares at Kc1,600 to be purchased by the FNM, said Jiri Navratil from the Czech Ministry of Transport, who is also a member of the CSA board of directors, and Petr Plocek, the head of CSA's public relations department. CSA reduced its losses in 1994 by some 62-64 percent to approximately Kc560-590 million. The company fleet consists of 22 aircraft, and 15 of them are Western-made—7 Boeing 737, 6 ATR, and 2 Airbuses. The other aircraft are Russian made TU-type machines. (Prague MLADA FRONTA DNES in Czech 25 Mar 95 p 1; Prague DENNI TELEGRAF in Czech on 27 Mar 95 p 12)

BUDGET SHOWS SURPLUS: The Czech state finances showed a Kc2.2 billion surplus as of 24 March and, in comparison with last year, the pace of growth of the budget revenues has accelerated considerably. According to Eduard Janota from the Czech Ministry of Finance, this year's revenues to date total Kc86.5 billion, and the entire annual revenues are estimated to reach Kc411.7 billion. The Ministry of Finance has no reason to regulate spending, which amounted to Kc84.4 billion as of 24 March. (Prague MLADA FRONTA DNES in Czech 25 Mar 95 p 1)

BAD DEBTS: Starting next year, banks as well as companies should be able to write off their bad debts. This is a result of the amendments to the tax laws proposed by the Ministry of Finance. According to the ministry, the proposal includes the principle that companies will be able to write off bad debts due by the end of 1994 over a period of 10 years. Annually they could write off a maximum of 10 percent of the total value of these debts. As for debts due after 1 January of this year, companies will have the possibility to write them off over a maximum three-year period by means of gradually forming reserves by which their tax base will be lowered. According to the proposal, in order to write off the entire debt in this way, a company must not allow the debt to lapse, and they must start court proceedings with the debtor. (Prague LIDOVE NOVINY in Czech 25 Mar 95 KORUNA supplement p i)

AUTOSALON, AUTOTEC TRADE FAIR: More than 450 exhibitors from 20 countries have already applied for the international car show called Autosalon '95 and the international trade fair of trucks and utility cars entitled Autotec '95. The official opening of both trade fairs will take place on 2 June at 2000 at Brno's exhibition grounds. According to Rihacek, Czech Minister of Industry Vladimir Dlouhy and Minister of Finance Ivan Kocarnik have confirmed their participation in the opening. Many additional events will take place within the framework of the trade fair. One such event is the international competition of young designers, Autodesign '95, organized in cooperation with the Czech Design center. Some 204 designers from the CR and 49 from abroad have expressed interest in participating in the competition, which is two-thirds more than last year. (Prague CTA in English 0609 GMT 26 Mar 95)

BYSTRICE URANIUM MINING: The uranium mines in Bystrice nad Pernstejnem, Moravia will probably close for nine months due to a low demand for uranium. Uranium extracted from the mines was supposed to be used at the Temelin nuclear power plant. Due to a delay in the completion of the construction of the power station, however, there is no demand for the uranium. The mining halt has not been definitely determined, but a work compensation program for the miners already exists. Janik also said that people, who may possibly lose their jobs due to the temporary mine closures, will be able to find work in the construction of a machine tool factory that is planned in the town. (Prague CTA in English 0612 GMT 26 Mar 95)

NEW TEXTILE FACTORY: The Czech firm Sametex Ltd., which is wholly owned by the German company

Scheibler-Pelzer, is building a new factory for the weaving of cotton velvets in Kraslice, western Bohemia. Sametex Executive Petr Exner reported that the Scheibler-Pelzer, which is the second biggest manufacturer of pile fabrics in Germany, decided to build the factory in Kraslice as the town is situated near the German border, and offers a relatively cheap but quality work force thanks to a local tradition in velvet production. The new weaving mill will offer job opportunities mainly to women in Kraslice. It will start a trial run in June this year employing 25 women, and will gradually double the number of employees. According to Exner, the production of cotton velvet has long-term perspectives because the German firm, exporting 80 percent of its production to the United States and Japan, is not able to meet demand. At first, the velvet woven in Kraslice will be finished in Germany, but after the Czech market for the product is created, the final production will take place in Kraslice as well. (Prague CTA in English 0615 GMT 27 Mar 95)

CSOB CERTIFICATES: CSOB is issuing jubilee deposit certificates to mark its 30th anniversary. The volume of the issue is Kc200 million and the interest rate at the opening of sales is 10 percent. The interest rate can change depending on the rate development on the market. The maturity for the certificates is six months and the certificate is transferable. The sale price equals the nominal value, which has been set at Kc5,000, Kc10,000, and Kc50,000. The jubilee certificate will be for sale in all CSOB branches starting 3 April 1995. (Prague CTA in English 0619 GMT 27 Mar 95)

AIR OSTRAVA: Air Ostrava, the first private Czech airline to provide both scheduled and chartered flights, intends to invest $18 million on renovating its air fleet. Air Ostrava's director, Josef Hornak, said that the company purchased a British Jetstream 31 with a capacity of 18 seats in March. The company intends to buy two additional Jetstream 31 aircraft and two Jetstream 61s, which seat 70, in the near future. (Prague RUDE PRAVO in Czech 27 Mar 95 p 13)

ZBROJOVKA BRNO: Rostislav Levicek, Zbrojovka Brno manager, reports that the company plans to return to arms manufacture, and that a suitable foreign partner for possible cooperation has been picked. "We want to utilize the firm's name, which is associated in the world precisely with arms production," he added. Levicek described military rifles or police automatic shotguns as possible new products. "Thus, we are preparing for government tenders, which are expected in connection with the reequipment of the Czech Army," he informed. At present, Zbrojovka manufactures only sporting and hunting firearms, which were responsible for 42 percent of last year's sales and 90 percent of exports. While the company reported losses of Kc210 million in 1993, it generated a net profit of Kc26 million on sales of Kc570 million (up 10 percent from 1993) last year (with staff reduced to under 2,000). (Prague RUDE PRAVO in Czech 27 Mar 95 p 13)

DESTA DECIN EXPANDS: As part of its transformation process, Desta Decin, the largest producer of fork lifts, will be expanding into foreign markets. Director Miroslav Gregr said that Desta, in cooperation with domestic and foreign banks, will soon be setting up a foreign subsidiary, Desta International. In addition, an agreement to found a joint venture in China will be signed in April and Desta plans to produce 400 fork lifts there by the end of 1995. At first, the fork lifts will be assembled from imported parts but eventually most of the components will be manufactured at the joint venture in China. (Prague MLADA FRONTA DNES in Czech 27 Mar 95 p 14)

TRADE WITH GERMANY: Trade with Germany exceeded Kc18 billion in January this year, almost 28 percent of the total Czech foreign trade. The CR imported from Germany goods (mostly machines) worth almost Kc9 billion, while exports to the same country came to Kc9.1 billion in January 1995. This was an increase of more than Kc4 billion over the same period last year. (Prague LIDOVE NOVINY in Czech 27 Mar 95 KORUNA supplement p i)

HOUSING CONSTRUCTION: According to the CSU, last year construction of 18,612 housing units was completed, 42.4 percent fewer than in 1993. (Prague LIDOVE NOVINY in Czech 27 Mar 95 KORUNA supplement p i)

BANK CARD: The KB recently concluded an agreement to accept the Eurocard/Mastercard credit card, KB Press Spokesperson Irena Satavova said on 28 March. The Eurocard/Mastercard credit card is now accepted at more than 5,000 outlets and almost 500 banks and exchange offices in the CR and should increase to up to 7,500 this year. "In 1994 the turnover of Eurocard/Mastercard credit cards in the domestic business network was Kc2.5 billion and the turnover of cash withdrawals exceeded Kc2.8 billion," added Satavova. (Prague CTA in English 1104 GMT 28 Mar 95)

FOREIGN TRADE: According to the CSU, export stagnation and the continuing growth of imports affected the trade balance in the first two months of the year. leaving a deficit of Kc12.7 billion, compared with a Kc9.5 billion surplus in the same period last year. Imports amounted to Kc74.7 billion (up 42.3 percent), while exports totalled Kc62 billion (up just 0.1 percent). OECD imports rose 48.6 percent, CEFTA 31.9 percent, and the former USSR 40.7 percent. (Prague MLADA FRONTA DNES in Czech 28 Mar 95 p 15)

SKODA IN CHINA: According to Skoda Director General Lubomir Soudek, Skoda Plzen began producing small steam turbines with a capacity of 25 megawatts in China yesterday. The Czech-Chinese joint venture, Skoda-Jinma (400 employees), is the first such project undertaken in China. Skoda (70 percent) is contributing know-how, mechanical equipment, and components totalling about $4.2 million (of the total $7.2 million investment) to the venture (30 percent owned by Cantonese enterprise Guangzhon Jinma). The construction of a new factory producing 400-megawatt steam turbines should be completed by the end of 1997. (Prague MLADA FRONTA DNES in Czech 29 Mar 95 p 15)

AGRICULTURAL COOPS: Agricultural cooperatives lost a total of kC1.818 billion last year. Estimated losses for agriculture as a whole range between Kc5.5 and 7 billion. (Prague DENNI TELEGRAF in Czech 29 Mar 95 p 6)

EBRD LOAN TO CD: The EBRD has granted a ECU44.1 million loan to CD for track modernization; guaranteed by the state, the loan is to be repaid over 20 years. The European Investment Bank and the Japanese bank ExIm are also participating in the loan. The EBRD has so far approved loans or foreign capital stakes in 18 projects in the CR, including CSA. The EBRD has now approved projects in the CR worth ECU443.38 million, of which almost 70 percent are in the private sector. (Prague CTK in English 2009 GMT 28 Mar 95)

WHITE COLLAR CRIME: Prvni Americka-Ceska Pojistovna, the Czech subsidiary of American International Group has launched a new banking insurance product, the "Bankers Blanket Bond" covers losses caused by events including employee theft, counterfeiting of currency, and forging of checks. "This is the first service of this kind in the Czech market," said Pavel Strnad, general manager of the Prague subsidiary of Raiffeisenbank. (Prague CTA in English 0603 GMT 29 Mar 95)

TEMELIN EQUIPMENT: A Skoda official says that the cost of the completion and supply of the equipment for the Temelin nuclear power station could be approximately Kc3 billion higher than originally agreed, making it Kc35 instead of Kc32 billion. This is due to changes in laws between the old economic code and the new business code. (Prague HOSPODARSKE NOVINY in Czech 28 Mar 95 p 2)

TATRA IN CHINA: The value of this year's Tatra exports to China will reach at least $41 million. The latest contract, which Tatra signed at the end of last week, is worth $17 million, and the company is to deliver 1,200 disassembled trucks to the assembly plant Chang-Zheng, founded by Tatra in 1985. (Prague HOSPODARSKE NOVINY in Czech 28 Mar 95 p 2)

FOREIGN CURRENCY RESERVES: According to Prime Minister Vaclav Klaus, the growth of the foreign currency reserves is "enormous and still rising." According to the latest reports, the reserves stand at $10.7 billion. (Prague HOSPODARSKE NOVINY in Czech 28 Mar 95 p 2)

NUCLEAR POWER: There has been a significant swing to nuclear power over the last decade, from producing just 4.12 percent of total electricity in 1985 to 22.15 percent in 1994, according to the CSU. The increase has caused a fall in coal-generated electricity, down from 93 percent in 1985 to 74.84 percent in 1994. (Prague CTA in English 1013 GMT 29 Mar 95)

GROWTH FORECAST REVISED: On 28 March, Finance Minister Ivan Kocarnik said that the Czech GDP should grow by approximately 3.8 percent this year. He said that figures suggested that the government's original GDP forecast of 3.5 percent for 1995 underestimated the strength of economic recovery. He also said that he expected GDP growth of around 5 percent for 1996. (Prague CTA in English 1014 GMT 29 Mar 95)

CEREAL SURPLUS EXPECTED: According to experts, the surplus of cereals that was estimated to reach 600,000 metric tons this year, will be much greater. Over the past three years, the sown area grew to 1.65 million hectares (the level of 1988). Moreover, last year's harvest of 6.8 million tons of cereals was the highest in the past three years, when the yield was between 4.03 and 4.15 tons per hectare. The Market Regulation Fund has reserves estimated at 800,000 tons of alimentary wheat alone. (Prague LIDOVE NOVINY in Czech 29 Mar 95 KORUNA supplement p i)

SKODAEXPORT: Skodaexport Co. has expressed interest in the modernization of the entire Moscow transportation system, particularly new traffic signals. "We, in conjunction with the firms CKD Dukla and Metrostav, have also discussed the possibility of supplying Moscow's public transportation system with trolleybuses, trams, and buses," Skodaexport's Tibor Duryna said, adding that Skodaexport would also like to supply individual components for incinerators, or at least have a share in the production process. He said that the negotiation process had been lengthy and the total value of the contracts ranged from $2 million to tens of millions. Skodaexport requires an open letter of credit as the main form of financial guarantee, but Duryna said the company would also consider barter. (Prague CTA in English 1430 GMT 29 Mar 95)

ULTRA-LIGHT AIRCRAFT: A prototype of the ultralight Pegass aircraft will be shown at the Hradec Kralove airport soon, Tomas Suchanek, director of the Delta System Air (DSA) aviation company, said on 29 March. Except for the Rotax engine unit, the two-seater aircraft is made entirely of Czech components, which will affect the price positively. The new aircraft should cost between Kc740,000 and Kc780,000. DSA plans to have produced about 10 aircraft of this type by the end of this year. The company provides full service for the body of the plane, as well as the engine supplied by the IFM Krampelhuber company. In addition, pilot training is offered, as is the possibility to keep the plane in DSA hangars. (Prague CTA in English 1030 GMT 29 Mar 95)

FIRST QUARTER SURPLUS: Public accounts showed a significant improvement in the first quarter of 1995. Figures from the Finance Ministry indicate that government revenues increased by more than 11 percent, while expenditures rose by just under 10 percent. The budget surplus for the first quarter stands at Kc6.5 billion and the Finance Ministry is confident that it can fulfill its forecast for a balanced budget in 1995. (Prague CTA in English 1018 GMT 5 Apr 95)

FEBRUARY UNEMPLOYMENT: CSU says that the number of unemployed in the CR has shown an annual increase of 4,000. Unemployment now stands at 4 percent. (Prague CTA in English 0615 GMT 30 Mar 95)

AGRICULTURAL PRIVATIZATION: Agricultural property worth Kc155 billion has entered the privatization process, with the Agriculture Ministry transferring 85 percent to new owners, Agriculture Minister Josef Lux said on 30 March. Almost 250,000 people made restitution claims on agricultural property, which means that the state had to surrender property worth almost Kc30 billion, so the process is two-thirds complete now. (Prague CTK in English 1644 GMT 30 Mar 95)

CD INCREASES FARES: Starting 1 April, CD will increase fares by an average of 55 percent and introduce "far-reaching" changes to the entire tariff system. (Prague CTA in English 1414 GMT 31 Mar 95)

RUSSIAN BANK OFFICE: The Russian Unikombanka bank opened an office in Prague on 3 April. It will be used to gather and analyze information, do market research, assist relations between Czech and Russian companies, and strengthen Czech-Russian economic relations. Unikombanka is one of Russia's 10 largest commercial banks and currently has more than 2,000 branches operating in Russia. (Prague CTA in English 0553 GMT 4 Apr 95)

TABAK PROFITS: The total earnings of Tabak, the Czech tobacco giant—77.37 percent owned by Philip Morris—soared to Kc8.879 billion last year from only Kc6.303 billion in 1993. Net profits amounted to Kc932 million, up from the previous year's paltry Kc46 million. The company plans to pay out dividends, but exactly how much has not yet been made clear. (Prague LIDOVE NOVINY in Czech 4 Apr 95 KORUNA supplement p viii)

RUBBER WASTE PLANT: A Czech-German joint venture specializing in rubber waste processing was established in Most, north Bohemia, on 28 March. The Renovum-Nilos Co. is a cooperative venture between the Czech Mostecka Uhelna Spolecnost (MUS) Co. (60 percent) and the German Nilos Co. (40 percent). The Germans are to provide Kc20 million, while the Czechs will provide the buildings and land for the new firm. Renovum-Nilos is expected to employ approximately 50 people. (Prague CTA in English 0540 GMT 30 Mar 95)

END OF COAL MINING: The last west Bohemian black coal mine at Krimlich near Plzen closed down on 1 April. Black coal mining became unprofitable because of deteriorating geological conditions and decreasing demand for black coal. Last year, 570 workers mined 160,000 tons of black coal with a sulfur content of 0.5 percent, and the company ended with a Kc40 million loss. (Prague HOSPODARSKE NOVINY in Czech 5 Apr 95 p 2)

CHEAPER MORTGAGE: On 1 April, the Ceskomoravska Hypotecni Lanka (Bohemian and Moravian Mortgage Bank), from the IPB Finance Group, reduced interest rates on new commercial credit by 1 percentage point, and interest rates on certain deposits by 0.3 to 1.5 points. The prime rate was reduced by 0.5 point to 11.5 percent. (Prague HOSPODARSKE NOVINY in Czech 7 Apr 95 p 2)

POWER CONSUMPTION: Electric power consumption in the CR has increased much more than originally expected. CEZ reports that 3 percent more energy was used last year than in 1993. The 1994 volume of consumption should have been reached only this year. Industry and Trade Minister Vladimir Dlouhy said this rapid increase, which roughly equals the capacity of the Temelin nuclear power plant, stems mainly from the massive switch to electric heating last year. (Prague MLADA FRONTA DNES in Czech 8 Apr 95 p 14)

PENSION FUND LICENSE: The Czech Ministry of Finance issued to the Regional Penzijni Fond (Regional Pension Fund) company of Uherske Hradiste a license to operate starting on 10 April. This is the 41st licensed pension fund in the CR. (Prague PTA in English 0604 GMT 9 Apr 95)

CEREALS EXPORTS: Imports of cereals into the CR will show a considerable decrease, to 218,000 metric tons for the agricultural year of 1994/95, the Czech Agriculture Ministry reports. The end of fiscal year is June/July. Czech cereal exports, mainly those of barley, have not yet reached the expected volume. Wheat exports during the first two months of 1995 reached 80,000 metric tons and barley exports hit 7,000 metric tons. The expected total for Czech cereal exports is 520,000 metric tons for the fiscal year of 1994/95. (Prague CTA in English 0538 GMT 10 Apr 95)

SUGAR PRODUCTION FIGURES: According to a statement by Cukrovarnicky Spolek (the Sugar Refinery Association), production of refined sugar from the 1994/95 agricultural year beet harvest reached in the CR 379,000 metric tons. This total volume should provide sufficient sugar supplies until the beginning of the next harvest. Although sugar supply and demand are currently in balance, a slight gradual growth in wholesale and retail sugar prices has been registered in the CR. (Prague CTA in English 0541 GMT 10 Apr 95)

POTATO PRODUCTION DATA: According to a report released by the Czech Ministry of Agriculture, 1994 production of potatoes in the CR totalled 1.342 million metric tons. Czech potato consumption is mostly covered by domestic production, and only in part by imports. From 1 January to 3 April 1995, the import total hit the 22,250 metric ton mark. The wholesale prices of consumer potatoes have been slightly increasing, which is also reflected in their retail prices. (Prague CTA in English 0543 GMT 10 Apr 95)

JANUARY DAIRY PRODUCTION: Milk consumption has dropped 4.6 percent in a year with the number of dairy cows declining 7.4 percent to 61,500 animals. Since 1990, the number of cows has decreased by 37.9 percent. According to the Economic Strategy Department of the Czech Ministry of Agriculture, the main reason is the continuously decreasing demand for milk. The production decline was manifested in cream, cheese, condensed milk, ice cream, and baby formula. Production of sour cream, however, cottage cheese, butter, and milk powder has increased. Output of consumer milk and yogurt remained unchanged. The average wholesale purchase price of milk was Kc6.457 per liter at the end of February 1995, which is a growth of 6.6 percent in comparison with December 1994. In the first two months of 1995, the retail price of butter has risen 5 percent, and the price of high-fat nonperishable milk had climbed 12.7 percent, but the price of white yogurt fell 2.1 percent. (Prague CTA in English 0543 GMT 10 Apr 95)

SKODA PRAHA SHARES: Many local and foreign companies, including Skoda Plzen, are interested in buying the 54-percent stake of the Skoda Praha company still held by the FNM. Skoda Praha official Vladimir Novak made this announcement on 10 April in response to information released by Skoda Plzen earlier, disclosing its interest in buying all the shares earmarked for sale. Novak said that on the request of the Ministry of Industry and Trade, the company management worked out and submitted its proposal for the privatization of the company. (Prague CTA in English 0600 GMT 11 Apr 95)

MARCH UNEMPLOYMENT: The rate of unemployment declined 0.2 percent at the end of March in comparison with February. It stood on 31 March, according to the Labor Offices, at 3.1 percent (3.5 percent in March 1994). (Prague HOSPODARSKE NOVINY in Czech 11 Apr 95 p 1)

GROSS INDEBTEDNESS: Gross indebtedness of the CR rose last year from $8.5 billion to $10.3 billion, the current account of balance of payments closed with a deficit of $15.9 million, and capital account with a surplus of $3.032 billion. The increase in average wages amounted to 17.1 percent nominally, and 6.5 percent in real terms. (Prague LIDOVE NOVINY in Czech 12 Apr 95 KORUNA supplement p i)

ENTERPRISES INVEST MORE: According to the CSU, the volume of material investment amounted to Kc295.7 million last year. That is an increase of 3.4 percent in comparison with 1993. While there was almost no change in the banking sector, the nonfinance businesses increased their investments by 6.4 percent (to Kc188.9 billion) on the year-to-year basis. (Prague HOSPODARSKE NOVINY in Czech 12 Apr 95 p 1)

CNB BANKING LICENSES: To date, the Czech National Bank (CNB) has issued a total of 59 permits to domestic and foreign financial institutions to operate as banks in the republic. In addition to the central bank and the state monetary institute, i.e., the Konsolidacni Banka for the administration of long-term state claims, there are 17 commercial banks with Czech participation, 20 banks with foreign participation, and 21 wholly foreign-owned banks. (Prague DENNI TELEGRAF in Czech 13 Apr 95 p 6)

VOLUME OF LEASING: Approximately 20 percent of all property investment in the CR last year was financed by leasing. The value of property acquired by leasing reached Kc27.8 billion. There are 300 leasing firms operating in the republic. (Prague RUDE PRAVO in Czech 13 Apr 95 p 8)

HOUSING STARTS: The construction of 10,964 housing units was started last year, which is almost 50 percent more than in 1993. It is also the highest amount in the 1990's. (Prague MLADA FRONTA DNES in Czech 14 Apr 95 p 14)

S&B RUSSIAN COMPETITION: The largest domestic ammunition manufacturer, Sellier & Bellot of Vlasim, reports a decline in gross profit to Kc40 million last year from Kc70 million in 1993. According to the company president, the Kc70 million investments are largely responsible for this result. Sales amounting to Kc780 million represent a 10 percent increase in comparison with 1993. The enterprise that exports 80 percent of its output is now facing great competition from Russian manufacturers. (Prague MLADA FRONTA DNES in Czech 14 Apr 95 p 14)

MARCH INDUSTRY PRICES: The CSU announced that prices of industrial products increased by 0.5 percent in March in comparison with the previous month (7.7 percent on year-to-year basis). Prices in construction went up 0.4 percent (8.1 percent). Farm prices increased 18.2 percent on year-to-year basis. (Prague LIDOVE NOVINY in Czech 15 Apr 95 KORUNA supplement p 7)

ELECTRICITY EXPORTS: Electricity exports fell by 32.2 percent in 1994 to a level of 2,034 GWh, while imports increased by 79.8 percent to 1,592 GWh. (Prague HOSPODARSKE NOVINY in Czech 19 Apr 95 p 2)

MARCH TRADE FIGURES: The consumer price index rose 0.3 percent from February to March, and 9.6 percent compared to the same period of previous year, according to a report from the CSU. Unemployment was 3.1 percent (161,520 unemployed) on 31 March this year, representing a 0.4 percent annual fall. The total volume of Czech exports was Kc31.7 billion in February, an annual decrease of 3.4 percent, and February's exports to Slovakia fell by 4.6 percent to Kc5.339 billion. Overall imports rose by 25.2 percent to Kc38.909 billion during the same period, with imports from Slovakia down to Kc4.964 million, 4.8 percent down compared with the same month last year. The trade deficit was Kc7.209 billion in February, but trade with Slovakia showed a surplus of Kc375 million. (Prague CTA in English 1104 GMT 19 Apr 95)

AVIA TRUCK COMPANY: Czech truck manufacturer Avia's sales were up 40 percent in the first quarter of 1995, following an industry-wide sales crisis in 1994, in which Avia sold 3,470 vehicles. Although total turnover was Kc2.4 billion, 4 percent up on 1993, Avia registered a loss of Kc67 million. (Prague LIDOVE NOVINY in Czech 20 Apr 95 KORUNA supplement p 14)

FINAL BUDGET STATEMENT: The Czech Government approved the draft of the final 1994 government statement at a session yesterday. Since the beginning of the transformation to a market economy, economic growth was recorded for the first time with GDP rising by 2.6 percent. The government saw inflation at 10 percent and unemployment between 3.0 and 3.2 percent as positive factors. The number of those employed rose by 40,000 people. As for foreign economic relations, the balance on the current account in convertible currencies showed a surplus of $300 million. The current balance of payments for convertible and nonconvertible currencies ended well balanced. The capital account ended with a surplus in excess of $2 billion. The state budget ended with a surplus of Kc9.3 billion. Of this figure, the surplus of the central budget reached Kc10.4 billion, while local budgets ended with a deficit of Kc1.1 billion. (Prague CTA in English 0622 GMT 21 Apr 95)

SKODA PRAHA DEBT CLAIMS: Skoda Praha Co. claims to be owed about Kc4.3 billion by Slovakia, but Slovakia has only acknowledged a figure of Kc1.6 billion. Most of this comes from supplies for the Mochovce nuclear power station. Czech Trade and Industry Minister Vladimir Dlouhy and Slovak Economy Minister Jan Ducky agreed to settle the debts owed by Slovak companies to Skoda Praha and other Czech companies during a meeting in Brno on 20 April. (Prague CTA in English 1458 GMT 21 Apr 95)

FOREIGN CURRENCY RESERVES: Foreign currency reserves of the entire banking sector amounted to $10.9 billion on 31 March 1995. These figures represent an increase of $0.2 billion compared with February. Foreign currency reserves of the CNB accounted for $8.2 billion of the overall reserves. Reserves of the entire banking sector increased by $1.7 billion during the first quarter of 1995, and the reserves of the CNB increased by $1.6 billion. (Prague CTA in English 1508 GMT 21 Apr 95)

EUROTEL DATA NETWORK: The SPT Telecom leadership and EuroTel representatives have reached an agreement on the transfer of the EuroTel-administered data network to the exclusive ownership of SPT Telecom. The SPT Telecom Ltd. is the majority owner (51 percent) of EuroTel in partnership with the U.S. Atlantic West (49 percent). (Prague HOSPODARSKE NOVINY in Czech 25 Apr 95 p 2)

BANKA HANA: The second largest Belgian bank, Kredietbank NV, has bought 5-percent stake in the Czech bank Banka Hana (BH). Banka Hana with capital stock totalling Kc750 million, made a Kc75 million profit last year. The bank's total assets amount to Kc14.5 billion. Banka Hana has 11 branches in the CR and one in Slovakia. (Prague LIDOVE NOVINY in Czech 25 Apr 95 KORUNA supplement p 7)

NATURAL GAS WORKS: Prague Gas Works and the German RWE Energie AG have founded Prometheus, a Prague-based joint venture, to provide natural gas services in Prague and its environs. (Prague LIDOVE NOVINY in Czech 26 Apr 95 p 10)

FORESTRY SUBSIDIES: A total of Kc850 million in subsidies went to the forestry sector last year, with the same amount allocated for 1995. Most of the subsidies went to forest recultivation (59 percent) and to protecting and cultivating young trees (24 percent). (Prague CTA in English 1639 GMT 26 Apr 95)

The Former Yugoslav Republic of Macedonia

AU2803202795 Economic Review—FOR OFFICIAL USE ONLY

SALARIES: According to the Republic Bureau of Statistics, the average paid net income per worker in the country for January this year was 8,444 denars. In the economy, the average is 8,165 denars, and in the non-economy, it is 9,285 denars. The average salary in administration is 9,568 denars, in the health and social institutions 9,316 denars, in education, science, culture and information 9,114 denars. In the economic sector, the highest wages were paid in the financial-technical services, 13,504 denars, and transportation and services 9,420 denars. The lowest wages were paid in construction, 5,884 denars and crafts industry and personal services, 6,553 denars. According to the Bureau of Statistics, 15.6 percent of the employees in the country did not receive wages in January, of which 19.4 percent are in the economic and 1.8 percent in the non-economic sector. These figures do not include the workers that receive wages a couple of months too late, so these people make up 30 percent of the overall numbers or over 140,000 workers. (Skopje MIC in English 28 Mar 95)

ECONOMY'S 1994 PERFORMANCE: Last year, the Macedonian economy realized an overall income of 350 billion MCD (Macedonian dinars), which presents a nominal growth in comparison with the previous year of 1.9 times, and under conditions of retail price hikes of 2.2 times. That shows that the realistically realized earnings are lower than in 1993. Therefore, last year, the economy realized expenditure 5.2 percent greater than revenue. The expenditure reached a sum of MCD368.3 billion, and in mass, it is greater than the revenue MCD18.2 billion. In comparison with the structure of the income and expenditure, more notable are incomes from the sale of goods and services, and more so on the domestic market than the foreign markets. As for the expenditure, the participation of the purchase value of the sold goods and services, the material costs and amortization is becoming greater, while the costs that would mean revitalization of the production, that is, energy costs, spare parts, materials and raw materials, take a smaller part in the overall costs of the companies. Fifty-seven percent of the recorded companies that have submitted final accounts, and which employ 55 percent of the total number of employees in the economy, are making profits, however, not much, only MCD5.3 billion. The losses, on the other hand, reach MCD23.5 billion and are 4.5 times greater than the profits. That is, the profits from the total earnings are 1.5 percent, and the losses 6.7 percent. According to the records of the Institute for Payment Operations, 12,503 companies with 155,232 workers are in the red. The biggest "losers" are 10 companies of which seven are on the list of "losers" and which account for MCD12.2 billion of the total losses, or 52 percent of the overall losses realized in the economy. Those, on the other hand, who made profits, 29 percent of the overall sum is intended for the payment of taxes, while 0.7 percent are for covering the inherited losses from the past year. That way, for distribution, these companies are left with MCD3.7 billion. For gross salaries, last year, MCD47.2 billion were put aside, while the average salary per worker was 6,803 denars per month. As for investments, last year, 342 objects were in the phase of construction, to the value of MCD18.8 billion, of which 202 started the construction work last year. The drop in industrial production was 11.5 percent, which is less in comparison with 1993, when the same drop was 14 percent. Out of 32 industrial branches, seven noted a growth in production, while the rest recorded a drop. The smallest drop is in the production of food products and coal, 1 percent, and the biggest in black metallurgy, machinery production, and the graphic industry, 44 percent, and 85 percent in the production of oil derivatives. (Skopje MIC in English 31 Mar 95)

Hungary

AU2303202995 Economic Review—FOR OFFICAL USE ONLY

FOREIGN DEBT: The Hungarian National Bank (MNB) issued bonds on world capital markets 14 times last year and the Hungarian Foreign Trade Bank once, with a value of $2.9 billion in all. The country's foreign gross debt reached $28.5 billion by late December, having grown $4 billion in a year. Because of the change in the exchange rates, Hungary's debt calculated in dollars increased by $2.3 billion. Some 71 percent of the country's overall debt, $20.2 billion is payable by the MNB. The government owes $2.3 billion to foreign creditors. The structure of the gross debt changed last year: The debts owed by the MNB and the government to foreign creditors dropped by 4 percent, while the indebtedness of companies and commercial banks increased. (Budapest MTI in English 1539 GMT 20 Mar 95)

HARD CURRENCY DEPOSITS: The MNB reports that the amount of personal hard currency deposits increased last month by Ft18.1 billion from its value of Ft330.7 billion at the end of February. This is an unusually large increase. Excluding the effect of the 2 percent devaluation of the forint in February—some Ft6.5 billion—this growth was double the monthly average for last year, and was obviously related to expectations that the forint would be devalued. At the end of last month, personal currency deposits amounted to almost $3 billion. More than 50 percent of these accounts are in German marks, nearly 20 percent in dollars and some 12 percent in Austrian schillings. (Budapest MTI in English 1033 GMT 20 Mar 95)

FOREIGN CURRENCY RESERVES: The MNB's foreign currency reserves increased $500 million in the first two months of this year to total $7.3 billion. Considerable amounts of foreign currency are flowing into the MNB as a result of speculators selling their holdings of foreign currency following the devaluation of the forint, and because of the quicker influx of export earnings into Hungary. Liberalization of Hungary's foreign currency management—an essential component of the forint's growing convertibility—will continue, Frigyes Harshegyi, vice-president of the bank, said. The position of the country's foreign currency reserves would be further strengthened by the measures recently announced by the government. Hungary's obligations to repay debts this year will total $2.6 to 2.7 billion. Harshegyi said it would cause no problem if the MNB did not draw on any more credit in the remaining nine months of the year. He added that foreign reaction to the measures aimed at cutting the budget deficit was unambiguously positive. (Budapest MTI in English 1442 GMT 21 Mar 95)

INDUSTRIAL OUTPUT: Industrial production in January was Ft261.5 billion, 14.5 percent up on December 1994 calculated in seasonally-adjusted terms, the Central Statistical Office (KSH) reported. Industrial output in January, 1995 was 12.7 percent higher in volume terms than in January, 1994. Industrial sales in volume terms rose by 13.8 percent in January compared with January 1994, and by 16.5 percent on December 1994. Export sales in the processing industry were up 41.8 percent and domestic sales 5.9 percent on January last year. Industrial output per employee was 16.8 percent up over the same period. The engineering industry increased output 50 percent over the same 12-month period, and the iron and steel industry by 21 percent due to increases in both domestic and export sales. Machinery exports doubled while steel exports grew by 40 percent. Exports in the wood, paper and printing industry grew by 43 percent while output was 18.6 percent up. Of total industrial sales, the share of exports was 26 percent in January 1994 compared with 20 percent in January, 1994 and a 25 percent 1994 average. Export sales were 42 percent higher than January 1994. Industrial producer prices rose by 6 percent in January over December, including a rise in domestic sales prices of 6.7 percent. This is the highest monthly increase for the last three years. (Budapest MTI in English 1356 GMT 22 Mar 95)

EXPORTS TO RUSSIA, PRC: Exports to former socialist countries are expected to increase by about 8-10 percent this year and imports to stay at last year's level, according to the Industry and Trade Ministry. Last year, Hungarian exports to these countries totalled $2.449 billion and imports amounted to $3.374 billion. Hungary's trade deficit with Russia, some $900 million, included $180 million worth of natural gas supplies and $70 million debt settlement. As a result of the Hungarian prime minister's talks in Moscow, Russia is to supply $250-300 million worth of military equipment to Hungary this year and $200 million worth of non-military machinery and capital goods as part of repayment of its debt to Hungary. Debt settlement this year will also include $60-70 million worth of electricity. Russia is to take part in the extension of the Budapest underground line up to a value of $200-250 million. The Russian Vniesekonom Bank's $150 million debts to Hungarian companies are also to be settled soon. Hungary would like to set up a Russian-Hungarian trading house, such as Panrusgaz, to conduct barter deals for Russian crude oil and oil products. Hungarian companies have signed preliminary agreements with Croatian companies in preparation for post-war construction works. Bulgaria still owes 80 million transferable rubles to Hungary. China has repaid 86 million Swiss franks (SFR) to Hungary and the settling of the remaining SFR20 million owed to it by Chinese provincies will be discussed later. (Budapest MTI in English 0810 GMT 17 Mar 95)

MOL RT. LOAN: The European Bank for Reconstruction and Development (EBRD) and five international commercial banks have signed a $55-million loan agreement with the Hungarian Oil and Gas Company (MOL Rt). The loan facility agreement was signed on December 30, 1994, and is the first international loan granted to MOL Rt. The EBRD will grant $25 million with a maturity of 10 years, and the banks will cover the remaining $30 million with a maturity of 8 years. The loan will be granted under market conditions. The five-bank syndicate comprises BHF-Bank of Germany, Creditanstalt of Austria, ING Bank of Holland, Sumitomo Bank of Japan, and WestLB of Germany. The loan is expected to cover some 72 percent of the construction costs of an underground natural gas storage facility at the Zsana gas field. The remaining 28 percent will be financed by the World Bank under an existing loan facility approved in 1989. Hungary's annual gas consumption is 10-11 billion cubic meters, half of which is imported. The present storage capacity is 2.5 billion cubic meters, which will increase by 0.97 billion cubic meters in 1997 on the expected completion of the Zsana storage facility. (Budapest MTI in English 0748 GMT 17 Mar 95)

FEBRUARY CONSUMER PRICES: The KSH says consumer prices rose 2.8 percent in February. Prices rose 23.8 percent from last February. Prices went up by 1.4 percent in February last year, and the annual increase in consumer prices registered only 16.6 percent. Nearly one-third of the 2.8-percent price increases last February resulted from central or local measures. Higher prices for energy, telephone fees, district and hot water services, and local public transport caused the main rise. Half of the remaining price increases resulted partly from higher food prices, and rises for other products and services. The price of food went up by about 35 percent compared to figures released a year ago. This is the only area where increases in prices were higher than the average 23.8 percent consumer price increase. The prices of alcoholic drinks and tobacco products went up by 21.1 percent, services 21 percent, other items and fuels by 20.4 percent, clothing by 19 percent, household energy 18.2 percent, and consumer durables by 14.1 percent from February 1994. (Budapest MTI in English 1609 GMT 16 Mar 95)

UNEMPLOYMENT TO INCREASE: Unemployment is expected to increase by the end of this year, according to the Labor Ministry. In January, the number of the jobless increased by 1 percent. At present, the rate of unemployment stands at about 11 percent. In a new, unfavorable trend, the proportion of job-holders is decreasing and that of dependents increasing. Of Hungary's 10.3 million inhabitants, 4 million have a job, as compared to 5.3 million some years ago. The ratio of dependents to job-holders has increased to 1.7, the Ministry said. (Budapest MTI in English 2210 GMT 17 Mar 95)

FOREIGN-CURRENCY ACCOUNTS: Contrary to previous reports, Hungarian foreign currency account-holders are still worried about rumors that their accounts may be frozen. On 22 March, the government issued a statement to put a stop to speculation that it was going to freeze personal savings held in foreign currency accounts, saying that even if it wanted to, it could not do so, because such a measure is the responsibility of Parliament. MNB officials told MTI that the situation varied in different banks and different areas. As in previous days, account-holders queued up in front of some banks, while at other banks there was no increase in business. Some branches were surprised by the rush and did not have enough foreign currency, which led to an increase in the panic. The National Savings Bank (OTP), Hungary's biggest commercial bank, has purchased tens of millions of German marks from abroad, including Vienna and London, to meet the increased demand, a bank official said. The OTP's foreign currency reserves are sufficient but its cash stock needs to be replenished, the official said. Due to the sudden increase in demand, the amount of cash which may be withdrawn from accounts has been limited at some branches, but the OTP had not given instructions to this effect. (The limit has not been revealed). The hard currency cash will arrive in Hungary tonight and be distributed to branches subsequently, the official said. (Budapest MTI in English 1851 GMT 23 Mar 95)

ACCOUNT FREEZE DENIED: At today's meeting (23 March) the Hungarian Cabinet issued a decree permitting businessmen to open foreign currency accounts from April 1, Government Spokesman Elemer Csak told reporters today. The spokesman confirmed that the government did not intend to impose any restrictions on the use of foreign currency and had absolutely no intention of freezing accounts. Minister of Agriculture Laszlo Lakos said the government had looked again at the implementation of compensation laws. The government will put before Parliament amendments to the existing legislation, which, it is hoped, will generate a sufficient supply of assets to compensate those eligible, including land, life annuities and company shares, the minister said. Since the government is unable to offer land in sufficient quantity or quality to all claimants, the privatization package, including shares in attractive companies, is expected to play a major role in compensation, Lakos said. The minister said that so far 1,864,518 people had filed compensation claims and of these, 210,000 claims still have to be decided. (Budapest MTI in English 1946 GMT 23 March 95)

EXPORTS UP: The KSH has published last year's trade figures—both in terms of forint and dollar. According to these, exports totalled Ft1,128.7 billion—$10.7 billion. Imports, calculated at the forint's current value, amounted to Ft1,537 billion—$14.6 billion. At keyed prices, imports were up on the previous year by 15 percent, and exports by 17 percent. As regards trade with advanced market economies, imports increased by 24, and exports by 21 percent. Imports from the ex-socialist countries dropped by 8 percent. However, without taking into account the Russian debt repayment with MiG aircraft in 1993, imports also increased from these countries, by some 13 percent. Hungarian exports to the ex-socialist countries rose by 4 percent. The export of consumer goods was 26 percent higher in 1994. Raw material export rose by 16 percent, food export by 10 percent, and machinery and vehicle export by 9 percent, compared to 1993. The import of food increased by 27 percent, that of consumer goods and raw materials by over 20 percent, and the import of energy sources by 6 percent. The import of machinery was roughly the same as in 1993 although, with major transactions and repair works not taken into account, it dropped by 5 percent compared to 1993. (Budapest MTI in English 0623 GMT 29 Mar 95)

IMPORTS UP: Imports rose 32.2 percent in 1994 to Ft1.537 billion, calculated at the forint's current value. Exports showed a 37.7-percent increase, totalling Ft1.129 billion. Figures from the KSH show that imports from Eastern Europe totalled Ft341 billion, which is only a 4-percent growth. Two-thirds of all imports came from developed countries, to a value of Ft1.085 billion, which is a 43.8-percent growth. Ft697 billion of this amount came from EU countries, which is a 49.6-percent increase, and Ft285 billion was imported from European Free Trade Agreement (EFTA) countries, which shows a 41.7-percent growth. As far as imports are concerned, Germany continues to be Hungary's number one trade partner. The value of German imports totalled Ft359 billion in 1994, which is 43.1-percent more than in 1993. Austria and Russia share second place, both exporting goods to Hungary to a value of Ft184 billion. Austrian imports showed a 36.4-percent increase as compared to 1993, while Russia exported 19 percent less than in 1993. Italy ranked third, exporting goods to a value of Ft107 billion, 54 percent more than in 1993. Imports of materials and semi-processed products accounted for Ft566 billion, which is a 45.8-percent increase on the preceding year. The import of machinery totalled Ft359 billion, which is a 14.8-percent increase, the import of consumer goods totalled Ft338 billion, which is 37.5 percent more than in 1993. The import of energy sources and electric power amounted to Ft168.7 billion, which is only 15 percent more than in 1993. In a different breakdown, Ft1.269 billion of the total Ft1.537 billion of imports were in the category of general product trading. The import of materials for active commissioned work totalled Ft197.5 billion. (Budapest MTI in English 1022 GMT 28 Mar 95)

OPEL TO ENLARGE FACTORY: Opel will enlarge the engine factory of its plant at Szentgotthard, and build a cylinder-head section by investing a further 257 million German marks (DM) in it. The engine factory's annual output of 230,000 engines is expected to double by the beginning of 1997 as a result of this enlargement, which will cost DM47 million and provide 145 jobs. Alongside the old assembly hall, a new, 12,300-square-meter hall will be built to manufacture cylinder heads. The annual capacity of the new section will be 460,000 16-valve cylinder heads. Construction work will cost DM210 million and the new section will provide 57 new jobs. Opel has decided to extend the Szentgotthard factory because it has found the Hungarian economic environment favorable for investment. With this DM257 million, investments in Opel Hungary will total DM650 million. (Budapest MTI in English 1334 GMT 27 Mar 95)

AUDI HUNGARIA PLANS: Audi Hungaria Kft. (AH Kft.) representatives were unwilling to comment on the recent statement by Minister of Industry and Trade Laszlo Pal that Audi would make an important announcement soon. AH Kft., wholly-owned by the German Audi AG, is based in Gyor (NW Hungary). Talks are presently under way between Audi AG and the Volkswagen group of the Hungarian government on the possible development of the Gyor factory but AH Kft. is not part of these talks. After the start of full-scale engine production in July 1994, following an investment of DM300 million, the factory turned out 20,000 Audi engines in 1994. The company plans to produce 110,000 engines this year. At present, the Gyor factory works in one shift and can produce 750 engines and 1,000 cylinder-heads a day. Regardless of the outcome of the current talks with the government, Audi will increase its daily output of engines from 750 to 2,000 if the economic environment remains favorable for investment in

Hungary. The Audi plant in Gyor currently makes 125 horsepower 1.8 engines and 150 hp 1.8 engines which are fitted in Audi A4 cars. These engine types might also be put into other Audi models or other cars made by the Volkswagen group. (Budapest MTI in English 1040 GMT 29 Mar 95)

IKARUS BUSES TO INDONESIA: The Ikarus Vehicle Manufacturing Company has signed a $6.5 million contract with Indonesia on the sale of 43 buses fitted with gas-powered engines. The contract was signed on 27 March in Budapest, by Ikarus Director General Andras Semsey and Director General of Insan Gaya Wira Pt Don Rachman. Ikarus's tender for the delivery of these air-conditioned buses was accepted at the beginning of this year. Ikarus buses using natural gas already satisfy the environmental protection requirements that will be in force at the turn of the century. The company cooperates with other firms to manufacture this new model, for instance with the Hungarian company Raba and the German car manufacturer Mercedes. Indonesia may also buy buses with Diesel engines from Ikarus, as its 1995 budget allows the purchase of a further 200 buses. Talks about this are going on between Ikarus and the Indonesians. (Budapest MTI in English 1134 GMT 27 Mar 95)

CAR MANUFACTURING: Over the last few years four of the world's biggest car manufacturers (GM Opel, Ford, Suzuki, Audi) have made major investments in the manufacturing of cars and components in Hungary. Since 1992, Suzuki has been manufacturing cars, Opel assembling cars and making engines, Ford manufacturing components, and Audi assembling engines here. By the end of 1994, General Motors had invested DM400 million, Audi DM300 million, Suzuki $180 million, and Ford $121 million in the Hungarian car industry. This year about 40,000 Suzukis are expected to roll off the production lines of the Esztergom factory. Half of them will be sold abroad. Last year the company sold 17,000 cars and 3-metric-ton vans in Hungary, and had a 16-percent share of the Hungarian car market, the third biggest behind Opel and Lada. In 1994, Opel's market share of 27 percent was the biggest in the Hungarian car market. Last year it sold 21,500 Opels in Hungary, half of which were manufactured at Szentgotthard. The Audi plant's construction in Gyor lasted for slightly more than a year, and the mass production of engines for the latest A4 models began in the summer of 1994. The company is in full German ownership and has a work force of 400. Audi has been exempted from paying tax for five years, and granted a 60-percent tax allowance for a further five years. In exchange, by 1998, the company will have invested DM430,000, making its total investment DM730,000. Ford's factory at Szekesfehervar, Western Hungary, started manufacturing ignition coils and fuel pumps in 1992, and automatic starters in early 1995 for Western European and U.S. assembly plants. At present, the factory employs 400 workers but, because of increased production, the size of the work force is expected to increase by 100-150 this year. (Budapest MTI in English 0942 GMT 27 Mar 95)

FEBRUARY UNEMPLOYMENT: According to the latest employment statistics, a total of 550,500 unemployed people were registered at Hungary's employment centers at the end of February 1995. Although this number is 80,000 fewer than in February 1994, it still means that unemployment has increased since January 1995, albeit minimally: from 11.4 percent to 11.5 percent. One of the reasons for this increase is the further drop in the number of people employed in the so-called subsidized employment forms and the number of people participating in retraining courses, partly because the previous year's contracts have expired and partly because of a drop in the funds available for active employment programs. Last year's early announcement of a substantial reduction in personnel scheduled for the beginning of this year, namely 7,500 people, also played an important role in all this. The number of the registered unemployed increased almost everywhere in February 1995, with the only exception of a few counties such as the Jasz-Nagykun-Szolnok, Szabolcs-Szatmar-Bereg, Tolna, and Zala counties. The greatest unemployment increase was in Borsod-Abauj-Zemplen county, with 3.5 percent, which far exceeded the national average of 0.9 percent. The connection between the increase in the number of unemployed and the similar drop in the number of people attending public utility works can be clearly seen in this county. The Szabolcs-Szatmar-Bereg county continues to lead the unemployment figures with 21 percent. It is worth noting that the number of repeatedly unemployed is increasing and these people are registered several times. Their number exceeds 50 percent on a national level, and even 70-80 percent in more backward areas. All this clearly shows the spread of long-term unemployment. The relatively strong restructuring of freshly registered unemployed according to professional sectors is a new phenomenon, and this means that there has been a drop in the number of unemployed originating from agriculture and building industry and there has been an increase in the number of people who lost their jobs in industry, trade, or services. Employers were offering almost 60,000 jobs in February this year, almost 3,000 more than in January 1995, but 1,000 fewer than at the same time in 1994. A total of 171,500 people were receiving unemployment benefits and almost 37,000 people received career-start unemployment support in Hungary at the end of February 1995. The number of people only entitled to welfare-type income supplements stood at 218,000. The monthly average of unemployment benefit and career-start support was 11,514 forints, or 384 forints per day in February; this sum exceeded the one prevailing in 1994 by 12.7 percent, but it fell considerably short in terms of both inflation and the increase in average salaries. Only 264 former unemployed became entrepreneurs in February 1995, which is only a quarter of the number registered in February 1994. (Budapest MAGYAR NEMZET in Hungarian 28 Mar 95 p 11)

MNB BONDS: The MNB launched two different bond issues on the Japanese money market, to a value of 15 billion yen each, on 5 April. One of the bonds—with a three-year maturity period—will yield interest of 3.7 percent. The maturity period for the other bond is 15 years, with a 6.9 percent rate of interest. The issue of both bonds was organized by Nomura Securities Co. The shorter maturity bond is aimed at small investors, and the other one at institutional investors. A few hours after the bonds were issued, Tokyo reported that their reception had been positive both among small and institutional investors. The MNB expects to receive Ft1.5 billion worth of funds from abroad this year. In the first two months of this year, two bonds were issued to a value of 750 million Austrian shillings, and 25 billion yen. The 5 April bond issue which, added to the first two issues, totals 30 billion yen, means the MNB has received $700 million worth of credit this year. The foreign currency reserves of the MNB are still around $7 billion. (Budapest MTI in English 1048 GMT 5 Apr 95)

MNB DEBT DATA: On December 31, 1994 Hungary's gross foreign debt totalled $28.5 billion, $4 billion more than a year earlier, the latest report of the MNB says. The weakening of the dollar against other currencies accounted for a $2.3 billion increase. (The bulk of Hungarian debts is in yen and German mark.) Shares within the gross foreign debt are divided as follows: MNB with $20.2 billion, the government with $2.3 billion, and commercial banks and companies with the rest. Last year the proportion of the central bank and the government within the gross foreign debt decreased by 4 percentage points. At the end of last year the central bank's reserves amounted to $6.8 billion, and Hungary's outstanding debts to $9.6 billion. As a result, the net foreign debt stood at $18.9 billion, $4 billion more than a year earlier. (Budapest MTI in English 1921 GMT 3 Apr 95)

REDISCOUNT RATE SET: On 1 April, the MNB set its 0-90 day rediscount rate at 30.11 percent as against the 29.04 percent rate in effect since January 1. Other central bank rates remain unchanged. (Budapest MTI in English 1406 GMT 30 Mar 95)

IFC PROVIDES CAPITAL: The registered capital of the mobile phone company Westel 900 Rt. was recently raised from $55 million to $80 million with the shareholders—Westel Radio Telephone Kft., Matav Rt., and the U.S. company US West—providing $21 million, and the International Finance Corporation (IFC) providing the remaining $4 million, Westel president/CEO Andras Sugar said. The shareholders provided fresh capital in proportion to their holdings—Westel Radio Telephone Kft. 10 percent and the remaining 90 percent is shared 51 percent Matav 51 percent and 49 percent US West. Westel 900 has so far invested $185 million on developing the 900 MHz mobile telephone network, $25 million more than originally planned. Westel 900 currently has 75,000 subscribers and the number is expected to exceed 100,000 by the end of the year. The company will open a further two Ericsson telephone exchanges and will double the cell centers in Budapest this year. Westel 900 plans to go over from short-term financing to project financing within three months. This will be facilitated by nine-year project loans from OPIC (Overseas Private Investment Corporation) and IFC totalling $105 million. Hungarians own 2 percent of all the mobile telephones in the world, Sugar said. Westel and its competitor, Pannon GSM, will hold an international conference for GSM operators and specialists at the end of May or early June, he added. (Budapest MTI in English 1426 GMT 31 Mar 95)

SIEMENS IN CSEPEL TRANSFORMER: Siemens Rt., the Hungarian subsidiary of the German Siemens AG, has acquired an 87.2-percent stake in Csepel Transformer Factory Rt. (CTF Rt.) for DM2.574 million. The remaining shares are held by the Budapest municipal authorities (6.4 percent) and local governments. CTF Rt. broke even on net sales of Ft391 million last year as compared to losses of Ft95 million on net sales of Ft254 million in 1993. The company projects pre-tax profits of Ft50 million on net sales of Ft550 million this year. The company manufactures light-duty, oil, and dry step-down transformers. Siemens plans to invest DM4-5 million in the production equipment of the company with the aim of developing it into Siemens's Eastern European production center for light-duty transformers. (Budapest MTI in English 0540 GMT 31 Mar 95)

MALEV LOSES FT1 BILLION: Preliminary figures show that MALEV Hungarian airlines had an operating loss of over Ft1 billion in the 1994 business year and net profit of Ft69 million at the end of the year. Although a lawsuit is still underway concerning the reimbursement of a portion of MALEV's total duty liabilities of Ft630 million, which the company has already paid in full, MALEV has reached agreement with the Finance Ministry on more than half of the total. MALEV had a net turnover of Ft36.63 billion last year. (Budapest MTI in English 0859 GMT 30 Mar 95)

CANADIAN INVESTMENTS: The agreement between Hungary and Canada on preventing double taxation, announced on April 15, 1992, came into effect on January 1, 1995. It covers personal income and property tax. There is only one Hungarian company representing itself on the Canadian market: the herbal plant trading company Naturland, a 100 percent Hungarian-owned company, according to an Industry and Trade Ministry official. To date, 200 Hungarian-Canadian joint ventures have been set up in Hungary, with $100-150 million direct investment from Canada. This year, a further $100-150 million is expected to flow into Hungary from Canadian firms. One of the projects to be financed by Canada is the expansion of the Ferihegy 2 airport terminal, for which Huang Danczkay, registered in Canada, has made the best bid. The contract has yet to be signed by the Hungarian partner. (Budapest MTI in English 0543 GMT 31 Mar 95)

TALKS WITH KOREA: Reducing Hungary's deficit in trade with South Korea is a common interest. To achieve this goal, the Korean partner should increase its purchases from Hungary, according to the Industry and Trade Ministry. A Korean business delegation currently in Hungary is studying investment opportunities, paying special heed to involvement in privatization. Last year Hungarian sales to South Korea amounted to $15 million, while purchases made up $100 million. Since 1990 Korean businesses have invested $70 million in Hungary, corresponding to a tenth of their total investments in Europe. Joint ventures have been established by Samsung, Hanwha, and two carmakers, Daewoo and Hyundai. (Budapest MTI in English 1814 GMT 3 Apr 95)

HOTELS TO MERCURE: Hotel Korona and Hotel Buda in Budapest, both members of the Pannonia Hotels Rt. group, have joined the French hotel chain Mercure. The hotels pay a 1.5-percent franchise fee, lower than the worldwide average of 3-4 percent. Hotel Aero and Hotel Volga, two other members of the Pannonia group, will reopen as part of the Ibis chain this year. Renovation of these two hotels cost Ft700 million. Both chains belong to the Accor group, which established the investment company Holpa Holding, registered in Luxemburg, to acquire a 51 percent stake in Pannonia Hotels Rt. from the State Property Agency (AVU) in November 1993. Accor holds 36.4 percent in Holpa. Pannonia Hotels Rt. projects a net turnover of about Ft12 billion for 1994. Losses made in Austria and new purchases in Germany will lower preliminary pretax profits of Ft600 million. Pannonia Hotels has registered capital of Ft6.3 billion. Holpa holds 51 percent with the AVU holding 21.36 percent and local councils holding the remainder. (Budapest MTI in English 1326 GMT 4 Apr 95)

FERIHEGY 2B TERMINAL: Representatives of the Air Transport and Airport Commission (ATAC) and of Airport Development Corporation (ADC), which is owned by the Canadian-registered Huang-Danczkay Properties, signed a general contract on the construction of the $100-million Ferihegy 2B airport terminal and on its joint operation on 28 March. Hungarian subcontractors will carry out 62 percent of the construction work. The $100-million cost of construction will be covered partly from ADC's own resources and partly from bank loans. The construction project will be supervised jointly by ADC and ATAC. The planning stage will be six months and construction is scheduled to be completed in two years's time. The Canadian Commercial Cooperation has provided guarantees that the project is completed on time and on budget. During the period of joint operation, ADC will be fully responsibile for the running of the terminal. It is planned that ADC will set up a limited company within six months and that ATAC will join this company when the terminal is opened. When the construction of the terminal is completed, it will become the property of the state through ATAC. The period for which the jointly-owned limited company will operate Ferihegy 2B will be 12 years, provided that a fixed but undisclosed internal rate of return is reached in this period. (Budapest MTI in English 0614 GMT 4 Apr 95)

TOP ADVERTISERS: In 1994, Unilever Hungary ranked first again on the list of advertisers published in the newsletter Szignum Mediahirlevel (media news letter) on 4 April. Last year, Unilever Hungary Kft. spent Ft2.048 billion on advertising. The company was also the top advertiser of 1993 with advertising expenditures of Ft904.5 million. The rankings were based on the number of adverts the company booked and the advertisments' catalogue prices. Procter and Gamble maintained its second place with advertising expenditures of Ft1.43 billion, up from Ft463.73 million in 1993. Last year, third place was taken by Henkel Budapest with advertising spending of Ft1.028 billion, up from fourth place in 1993 with outlays of Ft348 million. Postabank ranked fourth in 1994 with expenditures of Ft721 million, down from third place in 1993 with Ft394 million. The State Property Agency ranked fifth in 1994 with advertising spending of Ft663 million, followed by OTP with outlays of Ft541 million. Mars Kft. spent Ft475 million on advertising last year, and Pannon GSM Ft340 million. Compack-Douwe Egberts spent Ft387 million on advertising, Westel 900 Ft351 million, and Nestle Hungaria Ft328 million. Pepsi Cola ranked 17th with spending of Ft303 million, and Coca Cola Amatil the 21st with expenditures of Ft241 million. (Budapest MTI in English 0610 GMT 5 Apr 95)

IMPORT REGULATIONS EFFECTS: The introduction of the 8-percent import duty surcharge will bring Ft50-60 billion more revenue to the central budget, an Industry and Trade Ministry official said after a foreign economy forum. At the meeting the participants discussed the analysis of economic research company Kopint Datorg on import regulations and market protection. Out of the Ft50-60 billion of increased revenue, at least Ft10 billion should be spent on stimulating exports, according to the ministry. That sum should be reinvested in trade by raising the Ft5.3 billion budget subsidy of the Business Development Fund as well as raising the equity of Eximbank, and the Export Credit Guarantee Rt. Imports suddenly began growing in 1991 and now account for 38-40 percent of GDP every year. Without increasing exports, a trade deficit of some $3-3.5 billion a year will have to be regularly financed, the forum's participants said. The Kopint Datorg analysis shows that the participation of joint ventures in Hungary's foreign trade is greater than their importance to the economy. This group of companies accounted for 40 percent of Hungary's exports to developed countries last year, and 50 percent of the imports from these countries. The greater part of the foreign trade deficit resulted from the transactions of these companies. Based on the products, imported by joint ventures, it can be seen that these companies have adopted a production structure where the import demand is higher than the average. The analysis includes the gross export and import turnover (which was $10.7 billion and $14.5

billion respectively in 1994) excluding those items not paid for in currency. In the case of imports these items include non-cash contributions and leasing. Net exports were $8.7 billion in 1994 and net imports amounted to $11.7 billion, the analysis states. Calculating with net sums the trade deficit was $3 billion. That is, net trading deficit grew by $725 million last year. Imports of raw materials increased by half of this amount, of machinery by $300 million, and of consumer goods by $60 million. Since the proportion of consumer goods imports is less than 20 percent of the total imports, the effects of the reductions will be felt only with the reduction of imports for production. However, this will hold back exports, thus, exports will not increase after all. (Budapest MTI in English 0601 GMT 5 Apr 95)

POWER STATION UPGRADES: Directors of Hungarian Electricity Co. (MVM Rt.), Siemens-Empros (Minneapolis, United States), and Siemens AG (Nurenberg, Germany) signed a $26.1 million contract on 31 March, under which Siemens-Empros and Siemens AG will supply Hungarian power stations and electricity network substations with the "EMS-SCADA" system. The system will be used to develop the plant operation management systems of Orszagos Villamos Tehereloszto (National Electricity Distribution Center), four electricity supply companies (the Pecs-based DEDASZ, the Gyor-based EDASZ, the Debrecen-based TITASZ, and the Budapest-based ELMU), and the systems at the four companies' 14-plant operation management centers. The value of MVM's project to develop all its plant management systems is Ft12 billion, of which the World Bank is providing finance worth $40 million. (Budapest MTI in English 2025 GMT 6 Apr 95)

BUDGET DEFICIT: Hungary's budget deficit at the end of the first quarter of 1995 reached Ft146.4 billion, 51.8 percent of the original annual target. It is expected to increase further in the remainder of the year, but must not exceed Ft156 billion, officials from the Finance Ministry told reporters on 7 April. Csaba Laszlo, deputy state secretary at the Finance Ministry, said that spending had been within target figures but revenues had been Ft70 billion down. There was less income from consumer taxes than envisaged. According to the Finance Ministry, the budget deficit is expected to increase to Ft158-162 billion in April, but thereafter it is expected that the austerity measures announced by the government on March 12 will have an impact on the economy. The deficit is expected to peak around Ft140 billion by the end of May, and drop to Ft120 to 125 billion by late June. (Budapest MTI in English 1644 GMT 7 Apr 95)

ECONOMIC FORECASTS: The Kopint-Datorg Economic Research Institute welcomed the government's effort to stimulate growth through its austerity program, especially the devaluation and import duty surcharge, Kopint-Datorg managing director Andras Koves told the press on 12 April. The government package had not been finalized when Kopint-Datorg's first annual forecasts were drawn up and their analysts prepared three versions of the forecasts. In the first, GDP is expected to grow by 2 percent this year, with economic growth strong enough to override measures to control wages and demand. Exports are expected to grow by 10 percent compared with the 17-percent rise in 1994, and imports to grow by only 2 percent, as against 16 percent in 1994. Domestic utilization of GDP, which increased 2 percent last year, will remain at the same level, with investment, which rose 10 percent in 1994, expected to rise 5 percent in 1995, alongside a 2-percent fall in consumption. Projections show that this would produce a current account deficit of $3 billion this year, compared with $3.9 billion last year. In the second version, no real increase in GDP is forecast and exports are expected to grow by 17 percent with a 4-percent rise in imports. Domestic utilization of GDP would show no increase, with a 4-percent rise in investment and personal consumption falling 3-4 percent. This would result in a current account deficit of $2.5 billion. Both versions forecast rising but still manageable inflation of 28-30 percent in 1995, following last year's average 18.8 percent increase in consumer prices. The third version is a worst-case scenario with no precise figures. In this version, the government package would result in recession and high inflation with a fall in savings and no significant improvement in the external balances. Kopint-Datorg notes that the government's package is designed to reduce the budget deficit through the improvement of the primary balance but it will not lead to the elimination of the structural reasons for the deficit, Koves said. The high budget deficit is primarily the result of the interest rates burden, which was the equivalent of 6.7 percent of GDP in 1994. The primary balance showed deficits of only 0.6 percent to 0.9 percent of GDP in 1991-93 and actually showed a 0.6-percent surplus in 1994. Kopint-Datorg does not indicate which one of the three versions is likely to be more accurate than the others. Koves said that the proposed supplementary budget came close to a dangerous degree of restriction. The supplementary budget will cut the budget deficit target from the original Ft283 billion to Ft156 billion. Kopint-Datorg research shows that growth has been basically the result of developments in the corporate sector. The main reason for the deterioration of the external balances has not been the artificial fueling of domestic demand. The real reason, Kopint Datorg states, is to be found in economic factors that limited exports and the production of goods that could have replaced imports. (Budapest MTI in English 1258 GMT 12 Apr 95)

OIL DELIVERIES: Oil deliveries have again resumed on the Adriatic pipeline, Andras Horvath, commercial supply director of the Hungarian Oil and Gas Co. (MOL), told MTI. The Croatian JANAF firm had already delivered 18,400 metric tons of crude oil in early March from the delivery trapped in the pipeline since the war started. At present, the Szazhalombatta MOL refinery is receiving an additional 31,600 metric tons.

Horvath said that talks are in progress about new commercial deliveries, and regular pipeline deliveries could begin shortly. (Budapest MTI in English 1010 GMT 13 Apr 95)

MAGYAR SUZUKI: Magyar Suzuki Ltd. closed 1994 with net sales of Ft15.5 billion and a considerable loss. Suzuki plans to invest a further Ft2-3 billion in Hungary following the Ft24 billion investment so far, primarily to increase the share of Hungarian components suppliers, Suzuki said. In two years Hungarian companies will supply 80 percent of parts, with only engines and transmission sytems remaining Japanese-made. Magyar Suzuki produced 19,405 Suzuki "Swifts" and sold a total of 20,112 Suzukis in 1994, 3,309 of which were exported. Magyar Suzuki has a 20-percent share of the Hungarian market, ranking second after Opel, while the Swift is the top-selling car model. Earlier Econews information shows a sales target of 18,000 cars in Hungary and 11,000 for export in 1994. In 1995, the company plans to produce and sell 40,000 cars, half in Hungary and half on foreign markets, mainly the EU. To meet these targets, Suzuki has stopped the export of Japanese-made Swifts to Europe. Magyar Suzuki Rt. has registered capital of Ft14 billion following an equity raise of Ft6.5 billion in December 1993. Suzuki Motor Corporation holds 55.2 percent of Magyar Suzuki Rt. shares, Autoconcern Rt. 24.9 percent, the ITOCHU Corporation 13.6 percent, IFC 3.5 percent and the Hungarian Investment and Development Bank Rt. 2.8 percent. (Budapest MTI in English 1505 GMT 12 Apr 95)

NEW INVESTMENT GUIDE: Hungary has released an updated third edition of its investors' guide "Investment in Hungary." The eight chapters and nine appendices relate essential information on such topics as legal regulations for foreign capital investments, general laws and regulations governing the investments of foreigners in Hungary, taxation, accounting and auditing in Hungary and real estate acquisition. (Budapest MTI in English 0836 GMT 13 Apr 95)

CAR IMPORTERS PROTEST: The Union of Hungarian Car Importers (UHCI) considers some of the government measures increasing the burden on imported cars, such as the 10 percent increase in consumption tax, to be unjustified and discriminating. In their opinion, the Finance Ministry proposed the austerity steps without due regard to their possible effects on the central budget and the balance of payments. According to the organization, taxes payable on cars made in the EU with smaller than 1,600 ccm engines will rise to an exceedingly large extent. They believe that the 8 percent extra import duty is understandable, but they would deem it unjustified if the custom surcharge on working machines could not be reclaimed like in the case of motor vehicles serving investment purposes. Officials described the 10 percent increase in the consumption tax on new cars as discriminating, which they estimate would lead to a 30 percent fall in last year's import of 73,000 cars. Due to the drop in traffic, extra revenues for the budget can only be Ft1.2 billion. At the same time, the average age of cars would further increase, entailing a need to import Ft500 million more fuel basic material and Ft1.5 billion more spare parts. Car imports currently cost the country $1 billion annually, which the Finance Ministry would like to reduce, but no data on the countereffects had been published. (Budapest MTI in English 1607 GMT 13 April)

TRADE BALANCE WITH UK: The British-Hungarian trade balance continued to improve in January and February this year. While Hungary's imports increased by 25 percent compared to the same period of last year, its exports to Britain doubled. The two-month value of Hungarian exports to Britain was around 54 million pounds, according to preliminary British statistics. Taylor said bilateral trade between the two countries hit a record 500 million pounds in 1994. The fact that Hungarian exports were less behind imports—by some Ft20 million—than in previous years, indicates an improvement in the country's economic capabilities. British capital invested in Hungary since the democratic changes has approximated $600 million. Although this is only a little less than 10 percent of all foreign investment in Hungary, companies establishing a presence here included such giants as Shell, British Petrol, British-American Tobacco and Unilever. Tesco, Britain's biggest department store chain today, holds a majority stake in the Hungarian food trade company Global, and has recently announced it will open 20 supermarkets in the country within five years. The British "Know-How Foundation," designed to assist economic restructuring in Eastern and Central European countries, also has a branch in Hungary. The foundation receives 5 million pounds a year from the British government. Its aim is to finance governmental and civil programs needing British expertise. (Budapest MTI in English 1437 GMT 14 Apr 95)

CURRENT ACCOUNT DEFICIT: Hungary's current account deficit stood at $471 million at the end of January. The deficit is $93 million higher than at the same stage of 1994. The trade deficit in the current account was $313 million, $76 million less than in January last year. Export revenue this January was $832 million, $227 million million more than in the same month of last year, while import costs were $151 million higher at $1.145 billion. Transfer of capital yields resulted in a $6 million deficit in January. Direct foreign cash investment was worth $42 million this January, as against $88 million in the same month of last year. Hungary's gross foreign debt stood at $29.586 billion at the end of January, a $1.065 billion increase on the previous month and $3.887 billion up on January 1994. The central bank estimates that $300 million of the increase in dollar terms was the result of changes in cross rate. At the end of January, Hungary's net debt was $4.2 billion higher than at the end of January 1994. (Budapest MTI in English 1818 GMT 14 Apr 95)

NO FALL FORECAST: Hungary's GDP is not expected to fall in real terms this year as a result of the government's stabilization program and may even show a slight growth, according to a recent Finance Ministry report. Domestic utilization of GDP is now expected to decrease by 3-4 percent this year, a larger fall than that projected in the 1995 economic policy program. Within the overall figure, personal consumption is now expected to fall by 6 percent and capital investment is forecast to grow by 5-10 percent. As a result of more expensive imports and measures to promote exports and to limit domestic demand, exports are expected to grow by 10 percent with no increase in imports. The Finance Ministry report predicts a trade deficit based on customs statistics of $2.4-2.8 billion this year. Hungary's current account deficit can be reduced to $2.5 billion this year and and the general government deficit may be cut by Ft170 billion. The Finance Ministry forecasts a 20-22-percent increase in industrial producer prices this year with a 28-30-percent rise in consumer prices. In the first two months of this year, the rise in interest rates lagged behind the increase in prices with a resulting reduction in real interest rates. The margin between deposit and lending rates grew again in January and February as a result of 2.5 to 5.5 percentage point increases in lending rates and 0.8 to 3.3 percentage point rises in deposit rates. Average lending rates were 32.2-32.4 percent at the end of February, while deposit rates varied between 23.3 percent and 25.6 percent, the Ministry report shows. (Budapest MTI in English 1514 GMT 19 Apr 95)

GABCIKOVO-NAGYMAROS DAM: Deputy Secretary of State for Foreign Affairs Janos Toth and Slovak Government Commissioner Dominik Kocinger held a lengthy technical consultation today before signing a Hungarian-Slovak temporary agreement on the replacement of water. The agreement is designed to ensure the necessary water supply aimed at easing damage in the Szigetkoz area before the International Court of Justice in The Hague passes a ruling on the hydroelectric power plant at Gabcikovo. Hungary pledged to start building a weir on the Danube 10 days after the signing of the agreement. (Budapest MTI in English 1431 GMT 19 Apr 95)

FOREIGN CURRENCY CODE: The Hungarian cabinet approved the draft of the new foreign currency code that was submitted to its session by Minister of Finance Lajos Bokros on Thursday. The bill is a step towards the convertibility of the Hungarian currency, the forint, and will make far more liberal foreign currency transactions possible for citizens and businesses. Briefing the press after the session, the minister of finance said citizens will be able to use $800 per person a year for travel, and if Parliament passes the bill they will be able to purchase foreign tourism services for forints, without limit. Convertible currency can be freely bought for medical treatment abroad, for study costs, and court cases. The proposal says it will no longer be compulsory to deposit foreign currency at banks—citizens could hold unlimited amounts. Having foreign bank accounts continues to be prohibited. Capital exports will become free, if the share acquired through this exceeds 25 percent of the firm or venture in question. Entrepreneurs would no longer have to request preliminary government permission for foreign loans with maturities of over one year, just for those with maturities of less than 12 months. The draft foreign currency code still bans payments in foreign currencies between domestic traders. If the code is approved by Parliament, the MNB will act as the exclusive foreign currency authority, but its powers will be more limited. Bokros said differences in views between the cabinet and the social insurance authorities have not eased over the 1995 budget of the social insurance authorities. Social insurance councils consider some resolutions unacceptable. The cabinet therefore will submit the bill on the 1995 budget of the social insurance local councils to Parliament in two versions: one will include government ideas, the other proposals by social insurance specialists. (Budapest MTI in English 1727 GMT 20 Apr 95)

INCREASE IN BUSINESSES: There was a sharp increase in the number of individual businesses in March, and the number of economic organizations increased in all main economic groups. This transpires from a KSH report. More than 33,000 new businesses were set up in the first quarter of 1995, 20,767 of them in March. Among the new businesses, 4,243 were corporate ventures, and 28,819 were noncorporate ventures. Corporate ventures emerged primarily in the trade and repair sectors. Some 73 percent of these employed not more than 10 people, 13 percent 11-20 people, 8 percent 21-50 people, and 5 percent 51-300 people. Not a single corporate venture went bankrupt in March. At the same time, 3,152 ventures have initiated bankruptcy proceedings since the bankruptcy law came into force. Bankruptcy proceedings were completed at 2,830 organizations at the end of March 1995, with 51 percent of them being wound up. A total of 7,252 corporate ventures underwent winding up proceedings at the end of March 1995, and in the case of 348 ventures the proceedings were completed. The number of noncorporate ventures stood at 925,608 at the end of March, 2 percent more than in February: 86 percent were individual businesses, 10 percent limited partnership, 2 percent building associations, and 1 percent business partnerships. A total of 801,479 individual businesses were registered at the end of March 1995: 33 percent were tradesmen and 32 percent professionals. The number of public sector and social security organizations decreased by 76 in March, and stood at 14,890. The number of nonprofit organizations stood at 43,764 at the end of March 1995, 1 percent more than in February 1995. The number of offices connected to the co-owner program increased by 12 in the first quarter of 1995, and stood at 281 in March. (Budapest NEPSZABADSAG in Hungarian 24 Apr 95 p 5)

ECONOMY: Industrial production in January and February exceeded figures marking the first two months of last year by 11 percent, thanks to a 39-percent rise in exports. Consumer prices in the first three months of this year were 24.5 percent higher than in the same period last year. The average gross earnings of employees exceeded figures registered a year before by 22.5 percent, and net earnings by 17.5 percent. Consumer prices rose faster this year than net earnings, and thus their value in real terms lags 4.5 percent behind last year's figures. In January and February the deficit of the central budget totalled Ft83.6 billion, and rose to Ft146.4 billion by late March. Most of the debts resulted from expenditures related to the servicing of the domestic debt. Figures released by the MNB show the deficit of the current convertible balance of payments totalled $471 million in January, 25 percent up on figures a year earlier. The trade deficit showed an import surplus of $313 milion less than that registered in January last year. In late January Hungary's gross debt totalled $29.6 billion, $1.1 billion more than late last year. Net debt totalled $19.9 billion, 0.9 billion more than in late 1994. (Budapest MTI in English 1341 GMT 21 Apr 95)

OTP RECORD PROFIT: The OTP Rt. had a pretax profit of Ft10 billion last year, and Ft1.2 billion in 1993. With its profit tax of Ft3.4 billion, OTP is the largest taxpayer of the financial sector. The Ft6.6 billion after-tax profit goes to the general reserves, with which it reaches the level required by the law on financial institutions. The bank's 1994 balance sheet showed total assets of Ft940 billion (Ft831 billion in 1993). OTP currently holds 66 percent of all personal forint deposits (72 percent two years ago) and 53 percent of personal foreign exchange deposits. The bank has a 71-percent share of the personal loan market. 90 percent of deposits of local councils and 10 percent of those of entrepreneurs are held by OTP. (Budapest MTI in English 1058 GMT 21 Apr 95)

MNB 1994 PROFITS: The MNB closed last year with a balance sheet total of 4,024.2 billion, 16 percent up from the previous year, mainly due to outplacements to the state and abroad. The before-tax profit of the bank reached Ft42.2 billion, in view of the interest increase and inflation, Ft29.4 billion more than in 1993. The increase in central bank sources was decisively due to foreign sources computed in forints in the MNB books. These amounted to Ft405.3 billion, 21 percent up on 1993. At the same time, the MNB's share in the country's gross and net foreign debts is gradually decreasing. The before-tax profit of Ft42.2 billion is the result of a revenue of Ft333.8 billion and expenditure totalling Ft291.6 billion. Of its before-tax profit, the bank will pay Ft20.2 billion dividend to the central budget, so its after-tax profit was Ft22 billion. (Budapest MTI in English 1357 GMT 24 Apr 95)

EXIMBANK STARTS OPERATION: The Hungarian Export-Import Bank Rt. (Eximbank), established to finance the operation of the foreign trade, began work here following several years of preparations. According to an annual estimate, Eximbank will directly finance 5.3 percent of Hungarian exports. This state bank, with a Ft4.3 billion registered capital, can extend loans up to a value of Ft30 billion this year, and in addition, it can underwrite Ft16.5 billion with a budget background and Ft10 to 20 billion to the debit of its own assets. According to plans, it will finance foreign purchasers of Hungarian goods through the banks of the target countries with Ft6 billion. (Budapest MTI in English 1144 GMT 21 Apr 95)

GRAIN PRODUCERS: Gabonaszovetseg (Association of Grain Producers) has requested the Finance Ministry, the Agriculture Ministry, and the Industry and Trade Ministry to extend the deadline for grain export subsidies. It is estimated that rejection of the extension would cause an export revenue loss of $8-9 million on feed wheat, and $10-20 million on corn in 1995. At present, the deadline for wheat export subsidies is April 30, and for corn, May 31. All the three ministries are willing to negotiate on the extension. Exports of more than 500,000 metric tons of corn and 100-150,000 metric tons of wheat have to be subsidized this year and a decision on the subject is expected to be made within the next few days. The guaranteed price on this year's corn crop is specified at Ft9,600 per ton, which is higher than the Ft9,000-9,200, which was proposed by the Agriculture Ministry. However, it is less than the Ft10,000, which was proposed by the producers. The guaranteed price of last year's corn crop is Ft8,500 per ton, and the procurement period will end on June 15. (Budapest MTI in English 1101 GMT 20 Apr 95)

Poland

MM2002145695 Economic Review—FOR OFFICIAL USE ONLY

FOREIGN INVESTMENTS: The most recent data obtained by the State Agency for Foreign Investment Projects (PAIZ) indicate that 1994 did not bring the expected wild rush of foreign investors to Poland. While in 1993 more than $1.6 billion poured into our country, last year the biggest foreign investors (those who brought in at least $1 million at a time) spent only about $1.3 billion here. Last December the value of foreign investment projects (of the direct type) realized in Poland amounted to $4.3 billion. Relevant data published by PAIZ, which include also the figures for January 1995, suggest that the share of foreign capital in Poland is increasing at a regular rate which exceeds $1 billion a year. After January this year the value of foreign investment in Poland grew to $4.4 billion, while that of contractual investment obligations went up to $5.1 billion. This gives Poland a top-ranking position in central and eastern Europe. However, as PAIZ experts point out, it is not easy to specify the exact place we hold in relation to other states in this region, since every institution which produces evaluations of foreign investment projects quotes different ranking values. According to some sources, Poland is third after Hungary and Russia, while others, such as Deutsche Bank Research Review, place Poland second. Among countries which invest the most capital in Poland, the first place still goes to the United States (some 33 percent of the total amount of money invested here). It is followed by multinational corporations (about 19 percent), Germany (about 9 percent), Italy (8.5 percent), France (6.2 percent), and the Netherlands (5.6 percent). The PAIZ list specifies 267 foreign companies investing in Poland. As far as the number of companies investing in Poland is concerned, the United States and Germany lead the list (with 53 names each), although U.S. companies have invested much more capital in Poland. Further places go to France (20 companies), Austria (18 companies), Britain (15 companies), and Canada (13 companies). The list ends with a group of countries represented in Poland by just one investing company: Russia, Singapore, Ireland, Australia, South Korea, South Africa, Turkey, China, Luxembourg, and Greece. To date, U.S. companies have invested more than 1.4 billion in Poland. Multinational concerns, such as, for example, ABB or Unilever, invested $808 million. The third place goes to German companies with $386 million's worth of investment. Italian companies invested $366 million, and French companies $268 million. Greek and Luxembourg companies have invested the least amount of capital in Poland: $2 million and $2.3 million respectively. Compared with 1993, last year marked the biggest increase in financial involvement in Poland among the multinational concerns, which together invested as much as $450 million more than in 1993. The second place goes to U.S. investors, with $293 million more than in the previous year. According to PAIZ, the increase in the capital outlays and investment contracts on the part of foreign companies launching capital investment operations in Poland is, among other things, the result of the increase in their number (from 254 in September 1994 to 267 in December 1994). In addition, companies which entered the Polish investment market earlier with smaller capital involvement, and subsequently took up new investment projects or met all their investment obligations successfully, are now increasing their capital involvement. The majority of Polish-foreign joint ventures operate in large cities. The largest number of registered joint ventures, 6,468, are in Warsaw. Poznan, Gdansk, Katowice, Szczecin, and Wroclaw voivodships are in the lead in the voivodship league tables. The smallest number of Polish-foreign joint ventures, 13, is registered in Zamosc Voivodship. (Szczecin GLOS SZCZECINSKI in Polish 10 Feb 95 p 3)

PLANT TO TRAIN ENGINEERS: The British chemical company Davy Power Technology which, together with the U.S. firms Union Carbide Corporation and Johnson Massey, eight years ago granted the Azoty nitrogen products factory in Kedzierzyn-Kozle a license for the construction of the OXO alcohol-manufacturing plant, has approved that installation's status as "exemplary." The decision is based on the plant's performance in the sphere of cost-effectiveness and quality. Suffice it to say that, of the 1 million metric tons of alcohols produced and exported by OXO to date, not a single shipment has been reported by the buyers as falling below the expected high-quality rating. In practical terms, the certificate of exemplary status means that Azoty are now licensed to train (and profit from the training of) chemical engineers from countries in which Davy Power Technology is currently building identical manufacturing plants for the production of alcohols which constitute a base component in the manufacture of plastics. Engineers and technicians from India have already received training at Azoty under the terms of the license to teach the operation of the modern equipment and the optimum deployment of new technological processes granted to the plant by Davy Power Technology. Yesterday a new training course began at the plant for a 19-strong group of equipment operators, technicians, and engineers from Saudi Arabia. The course will last three weeks and is being supervised by experts representing the licensing company and by the Polish consumer, represented here by Bogdan Gaca, managing director of the OXO alcohol-manufacturing plant at Azoty. A group of chemical engineers from Iran is scheduled to arrive for another training course soon. (Opole NOWA TRYBUNA OPOLSKA in Polish 21 Mar 95 pp 1-2)

EMPLOYMENT, WAGES: The Central Statistical Office (GUS) reports that in line with the REGON register, in all of 1994, 196,152 economic entities operated in the economy (49,554 of them in the state sector and 146,598—74.7 percent—in the private sector). In comparison with the previous year, the number of registered economic entities increased by 7 percent, including private entities, the number of which increased by 11.5 percent. In the state sector its number shrank by 4.3 percent. The number of people working in economic entities, aside from peasants, amounted to 8,773,000 persons last year, 2.1 percent less than in the previous year. The state sector is still the main employer—last year it employed 5,844,000 persons (66.6 percent), but employment in this sector decreased last year by 4.4 percent. The private sector, which employed 2,929,000 people, increased overall employment by 3 percent. Employment in industry declined by 2.1 percent last year Most employees of industry (61.4 percent) still work in the state sector. Wages are still higher in the state sector. The average monthly wage last year was Z546.99 and was 36.9 percent higher than in 1993. In the state sector, the average wage was Z566.18 (38.2-percent increase); in the private sector the average wage was Z506.45 (32.2-percent increase). The average industrial wage last year was Z605.65; in state industry the average wage was Z664.99, and was 47.1 percent higher than in 1993; in the private sector—Z504.48 and the increase was 34.3 percent. In the construction sector, wages are higher in the private sector (Z509.63 compared to Z490.28, and the annual increase was 27 percent and 33.4 percent respectively). In the sector of trade and repair, wages are higher in the state sector—they increased by 42.8 percent, in the private sector—by 35.3 percent. (Warsaw RZECZPOSPOLITA in Polish 24 Feb 95 p 9)

WAGES, PRICES, UNEMPLOYMENT: GUS reports that the average gross wage in the enterprise sector this January was Z638.51, which was 14 percent less than in December of last year. Without profit bonuses, the average wage was Z634.9 (13.8 percent less than in December). Early in February came further food price increases (0.9 percent). Compared to the first 10-day period of January, they were 2.2 percent higher. Despite the considerable increase in food prices, the Finance Ministry maintains its price forecast for February (2 percent). At the end of January, the registers of unemployment offices included 2,875,100 unemployed persons, which is 37,100 more than in late December of last year. The unemployment rate increased from 16.0 to 16.2 percent. As unemployment grew, employment in enterprises increased slightly. According to GUS, in January enterprises employed 5,645,300 persons (52,300 more than in December last year). In comparison with January of last year, employment in enterprises fell by 15,700 people. Industrial production in January was 8.3 percent lower (in constant prices) than in December last year, but 15 percent higher than in January 1994. Prices on products sold by industry increased this past January (compared to December last year) by 2.7 percent, and prices of construction services—by 1 percent. In comparison with January 1994, prices in industry were 29.5 percent higher, and in construction—20.3 percent higher. (Warsaw RZECZPOSPOLITA in Polish 17 Feb 95 p 9)

ENTERPRISE DATA: It is estimated that in all of 1994 enterprises lost approximately Z4 billion. Still, according to data provided by GUS and the Central Office of Planning (CUP), the results of enterprises were better than in the previous year, in both the private and state sector. The still incomplete data (for 11 months) suggest that enterprises' revenues last year amounted to Z266.1 billion (30.2 percent more than in the past); costs were 29.6 percent lower. The earning capacity index for the entire economy (3.8 percent in 1993) increased to 5.8 percent. The groups of enterprises where this index went up the most are the following: mining (an increase from minus 3.8 percent to plus 5.6 percent), trade enterprises (from 1.8 to 2.4 percent), transport and communications enterprises, as well as hotels and restaurants (from minus 5.6 to plus 5.1 percent). Private companies achieved the earning capacity index of 2.5 percent, compared to 1.5 percent in 1993 (in state-owned enterprises, the index increased from 5.5 to 6.5 percent). The results achieved by industrial enterprises influenced the profitability index of the economy (after 11 months—Z23, compared to Z3 in the same period of 1993). Industry, which a year ago incurred Z3 in losses for each Z1,000 in turnover, achieved profitability of Z25 last year. Profitability in mining increased from Z110 in losses to Z1 in profit. Profitability in private companies rose from Z3 to Z11; state-owned enterprises—from Z4 to Z29. The total net financial result of enterprises increased last year, in comparison with the previous year, by 850 percent; in real terms—680 percent. In all, the share of unsubsidized enterprises decreased last year by 5.3 percent. (Warsaw RZECZPOSPOLITA in Polish 2 Mar 95 p 9)

DEBT-REDUCTION PROCEDURES: In 1994, debt-reduction procedures were implemented in over 12,000 economic entities; the total amount of debt that have been reduced exceeds Z2.200 billion and the budget received nearly Z330 million. (Warsaw RZECZPOSPOLITA in Polish 23 Feb p 7)

CUSTOMS RECEIPTS: The receipts from tariffs in January amounted to Z1.250 billion, or 139 percent of the sum that was collected in January last year. Customs officers prevented the smuggling of, among other things, 6.4 kg of heroine and 4.5 kg of gold, Main Customs Office Director Ireneusz Sekula said at a news conference. He added that Poland has already signed accords on customs cooperation with Germany, Lithuania, and Russia. (Warsaw RZECZPOSPOLITA in Polish 25-26 Feb 95 p 7)

TRADE WITH RUSSIA: Russia became Poland's third largest trading partner last year. Still, the volume of our trade with this country continues to be insignificant—5.4 percent of exports and 6.8 percent of imports. GUS reports that our exports to Russia last year totaled $918.8 million, and imports—$1.451 billion. Even though the balance was still negative, CUP calculated that our exports were 42.5 percent higher than in 1993, and imports—14.1 percent higher. Russia bought from us, primarily, food items (42 percent of our exports), products of the machine and electrical engineering industry (21 percent), chemical industry (17 percent), and the wood- and-paper industry (7 percent). Russia sold us first of all fuel (72 percent of our imports), products of the metallurgical industry (9 percent), and chemical products (8 percent). (Warsaw NOWA EUROPA in Polish 17 Feb 95 p 1)

INFLUX OF FOREIGN CURRENCY: Money supply in the first two weeks of February increased by Z966 million, or approximately 1 percent. Initial estimates by the National Bank of Poland (NBP) show that the influx of foreign currency throughout last month was Z1.7 billion (approximately $680 million). (Warsaw RZECZPOSPOLITA in Polish 2 Mar 95 p 9)

METAL PRODUCT FACTORY: Widof, a German company, has purchased the Metalplast factory in Witnica, Gorzow Voivodship. The factory has to date been producing, among other things, metal frames, skylights, and kiosks. In January the Privatization Ministry consented to the sale of the property, and last week a notary act worth Z700,000 was signed with Widof. (Warsaw GAZETA WYBORCZA in Polish 20 Feb 95 p 22)

DOCKS DE FRANCE SHOPS: RZECZPOSPOLITA has learned from one of the directors of Docks de France that the takeover of 45 percent of the shares of a Warsaw company running three food stores (for which the concern paid $1 million) is only the beginning of the concern's expansion in Poland. The company is soon going to open between 50 and 80 medium-sized food stores offering food items at low prices. Over the next six weeks the French are going to open two other shops, each with an area of between 300 and 800 square meters each. Within six months the concern will make a decision on whether or not to build a large supermarket in Warsaw. The Docks de France representative said that the company's board had already decided that it would become one of the biggest food distributors in Poland in a few years' time. (Warsaw RZECZPOSPOLITA in Polish 24 Feb 95 p 9)

CANADIANS BUY GLASS WORKS: International UNP Holdings, a Canadian company, bought 60 percent of the shares of the Antoninek glass works on 24 February. The glass works currently manufactures 20 percent of all glass bottles made in Poland. Antoninek is the fifth plant in Poland, and second in the Poznan region, in which the Canadian UNP has invested money. According to UNP's deputy director, the Canadian company has enough capital for the next two or three years, and it wants to invest in four enterprises. (Warsaw GAZETA WYBORCZA in Polish 25-26 Feb 95 p 22)

COFINEC TO BUILD PLANT: Compagnie Financiere Pour l'Europe Centrale (COFINEC), a leading manufacturer of packaging and packaging material, wants to invest $25 million in the construction of a modern plant near Warsaw. In line with plans, it is going to begin production in late 1995. COFINEC has been active on the Polish market since 1992. (Warsaw NOWA EUROPA in Polish 25-26 Feb 95 p 4)

SUGAR MILL IN PRZEWORSK: The sugar mill in Przeworsk will assemble Swedish sugar combine harvesters. The contract with Eden Hall is to be signed in early March. This year the sugar plant will buy 20 of these machines. (Warsaw GAZETA WYBORCZA in Polish 1 Mar 95 p 20)

SHELL PLANS INVESTMENT: Royal Dutch Shell is constructing a network of filling stations in the Lodz area. It has recently completed the construction of the concern's first station in Poland—in Warsaw. (Warsaw NOWA EUROPA in Polish 2 Mar 95 p 3)

1994 FOREIGN TRADE DATA: In line with data provided by GUS, the adverse balance of foreign trade last year was $4.3409 billion, which was $350.1 million less than in 1993. Exports reached the level of $17.042 billion, thus exceeding the results of the previous year by 20.5 percent. Imports amounted to $21.383 billion and exceeded the level of 1993 by 13.5 percent. In line with data provided by the NBP (based on payments), receipts from exports of goods last year came to $16.950 billion (compared to $13.997 billion in the previous year), and import payments—to $17.786 billion (compared to $13.485 billion in the previous year). According to NBP data, the adverse balance of transactions increased from $269 to $944 million. In line with GUS data, the highest level of dynamics last year was noted in exports to Central and East European countries and to the former Soviet Union. They increased by 31.7 percent (in dollars), but the share of this region in the total Polish exports increased from 13.3 to merely 14.5 percent, in comparison with the previous year. A dominating position in the geography of Polish exports is still occupied by developed countries, whose share increased last year from 75.1 to 75.4 percent. The EU's share is close to 62.6 percent (a decline from 63.2 percent). The share of Germany, Poland's largest export partner, reached 35.7 percent last year. The following places in our export were occupied last year by the Netherlands (5.9 percent), Russia (5.4 percent), Italy (4.9 percent), and Great Britain (4.6 percent). The highest level of dynamics in imports was also noted in Central-East Europe and the former Soviet Union as well (last year the increase totaled 20.6 percent); however, most goods (75.2 percent) are imported from developed countries, including 57.5 percent from EU. The share of Germany, which, as in exports, is our main partner, reached 27.5 percent last year. The next positions in our imports were occupied by Italy (8.4 percent), Russia (6.8 percent), Great Britain (5.3 percent), and the Netherlands (4.6 percent). Just as in 1993, we did not achieve a positive balance of transactions last year in trade with any of the trade regions (developed countries, including the EU, developing countries, Eastern countries). Poland's exports to the EU countries amounted to $10.6704 billion last year, and imports—to $12.310 billion. The adverse balance was $1.6396 billion. In the previous year it was greater—$1.833 million. The terms-of-trade index was at the level of 101.6, which means that last year the prices of goods exported by Poland increased more rapidly (in the previous two years the results were better, though) than the prices of imported goods. In transactions with the EU countries the terms-of-trade index was 98.5 last year (meaning that the increase in import prices was faster than the increase in export prices); in transactions with the other developed countries, the index was 105.6, and in transactions with East European countries—103.5. The structure of Polish exports last year was dominated by industrial products (though their share declined from 67.6 to 66.7 percent). The share of foodstuffs and live animals remained on the same level of 10.2 percent, as did chemicals (6.8 percent). The share of fuel exports increased from 9.1 to 9.7 percent; the share of nonedible raw materials (excluding fuels) increased from 4.7 to 5.5 percent. The share of drinks and tobacco decreased in the export structure from 1.3 to 1.0 percent. The structure of imports last year was also dominated by industrial goods (though there was a decline from 58.9 to 58.2 percent). The share of foodstuffs in imports increased from 8.6 to 9.7 percent, and fuels—from 10.5 to 12.6 percent. The introduction of compensatory fees and tariff limitations effectively curbed the import of goods included under the administrative restrictions. In transactions dealing with these items a surplus was achieved. GUS estimates that the volume of import of goods affected by the compensatory fees decreased in the second half of 1994 by 30 percent in comparison with the first half of the year. The share of the private sector in the foreign trade transactions increased in exports from 4.9 percent in 1990 to 44 percent in 1993. Last year, for the first time, it exceeded the level of 50 percent (more specifically, 51.1 percent). If we make the calculations in zlotys, private exporters increased their sales last year by as much as 74.6 percent, whereas the average growth of all our exports (also calculated in zlotys) was 50.5 percent. In imports, the share of the private sector reaches 65.8 percent. (Warsaw RZECZPOSPOLITA in Polish 1 Mar 95 p 9)

INDUSTRIAL ACTIVITY: March saw an increase in the activity of the processing industry and construction, which was related to an increase in demand. In the next few months, however, companies expect a slight weakening of activity in industry; activity in construction should continue to increase. These are the results that GUS received in its March survey. The index, after a temporary decline in February, reached a level of plus nine. Approximately 25 percent of companies assessed the demand for their products as good, 16 percent—as bad. The surveyed companies believe that this improvement was related to an increase in domestic and foreign demand, as well as greater sales. Improvement in activity was felt in March primarily by large state-owned enterprises with more than 500 employees, especially in such branches as the plastics industry, furniture industry, precision industry, and chemical industry. In leather, metal, and automobile industry production was lower than in February. Private companies also reported that their situation deteriorated. The forecast for the next three months is not very optimistic—companies predict a slight decrease in domestic and foreign demand; they also expect that the situation on the labor market will deteriorate. In construction the index—even though it was high in February—further increased and reached plus 35. This improvement was felt especially by large companies, with more than 100 employees. Construction companies are more optimistic about orders and production in the next three months than they were in February. (Warsaw RZECZPOSPOLITA in Polish 5 Apr 95 p 11)

STOCK EXCHANGE, BANKS: At a seminar called "East-West Investment Summit," Warsaw Stock Exchange Chairman Wieslaw Rozlucki encouraged representatives of financial establishments to invest capital in our country. Rozlucki stated that the best method to minimize risk is to diversify investment. According to him, even though foreign investors are free to invest in our stock exchange, their share in its transactions is only 20 to 25 percent. Most of them are strategic investors in public companies. The program of the National Investment Funds (NFI) will offer new securities to foreign investors. Privatization Deputy Minister Ewa Freyberg said that foreign investors would be allowed to buy share certificates from Polish nationals and exchange them for NFI shares. Miroslaw Bojanczyk of the Finance Ministry's Banking System Department presented a schedule for bank privatization. Until 1997 the ministry does not envision the sale of specialty banks due to the current shallowness of the market and due to the great importance of these banks to the national economy. So far shares of four banks have been sold: Bank Przemyslowo Handlowy (52 percent of private shareholders), Bank Rozwoju Eksportu (57 percent), Wielkopolski Bank Kredytowy (70 percent), and Bank Slaski (67 percent). Within two weeks the ministry will select a "privatization leader" for Bank Gdanski out of six candidates. Asked whether foreign banks would be allowed to take over 100 percent of the shares of Polish banks, Bojanczyk replied that "this may be possible in the future." (Warsaw NOWA EUROPA in Polish 3 Apr 95 p 11)

SHARE CERTIFICATES: Directors of the PKO BP banks, whose bid for distributing NFI share certificates was chosen, say that distribution of the certificates may commence in October. The contract with the Privatization Ministry is to be signed in April. (Warsaw GAZETA WYBORCZA in Polish 1-2 Apr 95 p 19)

DEBT REDUCTION: Nicom Consulting Ltd. organized a discussion on threats that the so-called debt reduction law involves. The first companies that benefited from these bank agreement procedures are now beginning to put into effect the promises that they made a year ago—the time to pay initial debts has come. Specialists agreed that companies will manage to pay off the first installments, but the real trouble may start in two or three years (this is how long the restructuring programs are to be implemented). According to the Institute of Market Economy Research, until February this year approximately 400 bank agreement proceedings were instituted; more than 220 were signed. The Privatization Ministry was criticized for blocking debt-reduction operations. (Warsaw RZECZPOSPOLITA in Polish 6 Apr 95 p 9)

REPAYMENT TO SLOVAKIA: In Jaworina near the Polish-Slovak border, government delegations of Poland and Slovakia signed a protocol on the repayment of the Polish debt to the Slovak Republic. The Polish debt was incurred before 1989 and amounts to $28.5 million. Poland will pay off the debt over a period of two years (1995-96) with deliveries of coal at current prices. (Warsaw RZECZPOSPOLITA in Polish 5 Apr 95 p 11)

CHEAP LOANS TO FARMERS: The government decided that the Agency for Restructuring and Modernization of Agriculture should begin extending two new types of loans to farmers. Both types of loans will be paid off over 15 years; one of the loans will help create new work places in the countryside, whereas the other will help peasants buy land, which will make it possible to establish a "land market." They will be the cheapest loans in Poland. The interest rate will not exceed one-fourth of the re-discount rate of the NBP (right now—approximately 8 percent a year). The loans are to be extended by banks linked to agriculture (such as Bank Gospodarki Zywnosciowej), with which the government intends to sign appropriate agreements. (Warsaw ZYCIE WARSZAWY in Polish 5 Apr 95 p 5)

NEW GRUNDIG FACTORY: At the end of the year a new factory in Kalisz—the property of Grundig Polska, where the German Grundig AG has the most shares—will manufacture 60,000 television sets. After that, the production will increase to 200,000 television sets for the Polish and Eastern and Central European market. Grundig has invested 12 million German marks (DM); the factory will employ 200 people. (Warsaw RZECZPOSPOLITA in Polish 3 Apr 95 p 10)

ANTI-INFLATION MEASURES: The phenomenon of a considerable influx of foreign currencies into the country has not been reversed. In the first two months of this year, net foreign debts increased by approximately $1.5 billion, whereas the forecast for the entire year was $1.6-$1.7 billion. The NBP announced more anti-inflationary measures and a fight against the excessive money supply. The supply of money in January and February increased by Z2 billion, to the level of Z78.3 billion, even though in January the amount of money decreased by Z780 million. The money supply created by foreign currencies is neutralized by NBP primarily by means of open market operations. Recently it has also decided to increase by 1 percent the exchange-rate margin used by banks in operations with NBP. The signing of the budget law by the president will mean a possibility of financing the budget deficit directly by NBP. Since this may increase inflation, NBP will take more steps against inflation. It will return to the operations of outright sale of treasury bonds, which it suspended to make it possible for the government to obtain money on the market at a lower price. The scale of the outright sale operations will reach Z1.5 billion. Jerzy Stopyra, one of the bank's directors, did not rule out the possibility of selling NBP bonds in the future. (Warsaw RZECZPOSPOLITA in Polish 8 Mar 95 p 7)

AGRICULTURAL, FOOD INDUSTRY: At a session of the Sejm Agriculture and Food Economy Committee, Deputy Agriculture Minister Jozef Pilarczyk presented problems of the agricultural and food industry. One of the biggest problems of this industry is the great indebtedness of its basic branches. Alarming is also the decline in the use of the production and storing potential—it is being used to 60 percent potential, and in some branches (refrigeration, for example) 30 percent. Enterprises lack their own turnover capital; high interest rates on credits drive them to the edge of bankruptcy. Many enterprises are not credit worthy (at the end of 1994 in Bank Gospodarki Zywnosciowej there were 389 such enterprises out of the 1,317 comprising the food industry). Enterprises also own too much real estate, which is sometimes a burden on them. Another serious problem is the low competitiveness of the products of this industry. Deputies drew attention to the fact that the difficult situation in the food-processing industry is related to the poor banking system: Peasants and manufacturers have difficulties obtaining preferential credits envisioned in the budget law. Attention was also drawn to the fact that peasants are not very interested in privatization processes. (Warsaw NOWA EUROPA in Polish 9 Mar 95 p 3)

FEBRUARY ECONOMIC ACTIVITY: GUS reports that economic activity in the state sector decreased, whereas it increased in private companies. A considerable decline in the activity of big enterprises was accompanied by an improvement in the situation of smaller firms. Economic activity decreased the most in the cellulose-and-paper industry, whereas it increased in the mineral, metal, and leather industries. Forecasts for the coming months are still optimistic: an increase in domestic and foreign demand and an improvement in the ability to pay off credits and debts. The labor market should slightly improve as well. Unlike in industry, the general atmosphere in construction improved (the index in January was 8, and in February it increased to 23). Even though in the opinion of construction companies, their production was much greater than in January, in construction enterprises, in general, the bad financial situation persisted. In private companies it deteriorated, whereas state-owned firms had better results than a month ago. (Warsaw RZECZPOSPOLITA in Polish 4-5 Mar 95 p 7)

FOOD PRICES RISE: GUS reports that food prices increased in the third 10-day period of February this year, in comparison with the same period in January, by 1.5 percent. (Warsaw NOWA EUROPA in Polish 7 Mar 95 p 1)

DAEWOO NEGOTIATIONS: After two weeks, another round of talks was held with the Korean Daewoo Corporation, which wants to take over 51 percent of the shares in the Lublin Car Factory. Daewoo wants to manufacture 50,000 passenger cars and 40,000 trucks a year. It would also produce diesel engines for trucks. The Korean negotiators say that they are prepared to pay as much as $350 million for a 51-percent stake in the factory. (Warsaw ZYCIE WARSZAWY in Polish 9 Mar 95 p 5)

SPRINGER VERLAG INVESTMENT: Axel Springer Verlag, a German press concern, is going to publish another two magazines in Poland: one of them, AUTO SWIAT, will be an automobile magazine; the other one, NA ZYWO, a publication devoted to family issues. (Warsaw RZECZPOSPOLITA in Polish 3 Mar 95 p 9)

FRENCH COMPANY TO INVEST: It seems that the French company Compagnie Generale de Chauffe will modernize and exploit the heat supply network in Tarnow. The decision is to be made by the TARNOW municipal council. (Warsaw NOWA EUROPA in Polish 7 Mar 95 p 3)

BUDGET IN FEBRUARY: The Finance Ministry reports that in February the state budget recorded a deficit of Z339.4 million, which was 3.86 percent of the sum envisioned in the 1995 budget. In January, the budget achieved a surplus of Z456.9 million. Last month's budget revenues increased by Z5.3527 billion, and after two months amounted to Z11.4909 billion. The revenue plan was 13.8 percent implemented. Expenditures from the state coffers increased by Z6.1493 billion and reached Z11.8303 billion, which is 12.9 percent of the plan. In February the budget received the most money from direct taxes (Z5.3556 billion) and from the income tax on natural persons (Z3.274 billion). Receipts from state-owned budgetary units amounted to Z1.4488 billion, including Z689.4 million from tariffs. Receipts from the income taxes on legal persons were comparatively low—amounting to Z893.1 million, which was 10.9 percent of the sum envisioned in the budget. After two months, within state budget expenditures an important position was occupied by fixed expenditures, related to the servicing of the public debt (Z1.9508 billion) as well as by insurance subsidies and the labor fund (Z2.5801 billion in all). The deficit was financed primarily from foreign sources (Z283.9 million), as well as domestic ones (Z55.5 million). (Warsaw NOWA EUROPA in Polish 15 Mar 95 p 1)

PRIVATIZATION PLANS: Privatization Minister Wieslaw Kaczmarek met in Krakow with entrepreneurs and city officials. He said that there are still unused privatization methods, such as auctions. This year more companies will be privatized through the raising of their capital. This means a departure from the fiscal approach to privatization—that is, from the pressure to obtain as much money from privatization for the state budget as possible. More important will be negotiations with future owners on their commitments concerning their capital spending, which will make for faster financing of these companies' restructuring. (Warsaw RZECZPOSPOLITA in Polish 11-12 Mar 95 p 7)

1994 GRAIN CROPS: GUS released the final figures on last year's harvest. Poland reaped 21.76 million metric tons of grain, which was nearly 1.7 million metric tons (7.1 percent) less than in 1993. The grain was harvested from an area of 8.481 million hectares, which was only slightly less than in 1993—8.506 million hectares. The average grain crop amounted to 25.7 quintals per hectare, which is 1.8 quintals less than in 1993. (Warsaw RZECZPOSPOLITA in Polish 10 Mar 95 p 9)

COMPANIES' FINANCIAL RESULTS: According to GUS, economic entities achieved much better financial results in 1994 than in 1993. The revenues of companies were higher and at the same time the costs of obtaining them were lower. The earning capacity and profitability of sales improved. The revenue achieved by companies in all of 1995 was Z300.2 billion, which is Z71.2 billion more than in the previous year. The costs of obtaining revenues (96.1 percent in 1993) decreased to 95.7 percent last year. As a result, the gross financial result of companies was Z12.2 billion compared to Z6.5 billion previously. The net financial result was positive (Z5.1 billion); in the previous year companies incurred a loss of Z1.1 billion. The earning capacity, which a year ago was 2.9 percent, was 4.2 percent after 12 months of last year. As for profitability, in 1993, for each Z1,000 in sales there was a loss of Z5; last year companies achieved a profit of Z17. There were also more companies which showed a net profit. Their share (53 percent in 1993) increased to 60.4 percent in both the private and state sector. State-owned companies continue to achieve better financial results than private firms. The incomplete (11 months) data for last year show that their earning capacity was 2.5 percent, compared to 6.5 percent in state-owned firms. Profitability in the private sector increased to Z11, whereas in the public sector—Z29. Private firms often conceal their real revenues and profits. (Warsaw RZECZPOSPOLITA in Polish 15 Mar 95 p 8)

FEBRUARY INFLATION: GUS reports that in February prices of consumer goods and services increased by 2.1 percent (4.1 percent in January). In comparison with February 1994, prices were 33.6 percent higher. In January the annual index was 33.4 percent. The locomotive of inflation was the increase in food prices—2.3 percent, but the Finance Ministry now draws attention to the fact that right now food prices do not tend to go up that much. The ministry maintains its inflation forecast for March—inflation is to stand at 1.6 percent this month. Aside from food, prices for services also increased considerably (by 2.5 percent), as did apartment rents, bus and train tickets, and prices of post and telecommunication services. The prices of products sold by industry went up in February by 1.2 percent (4 percent in January). Prices for electricity went up by 2.2 percent. In comparison with February last year, prices in industry were 29.7 percent higher. (Warsaw RZECZPOSPOLITA in Polish 16 Mar 95 p 7)

TRADE WITH NORWAY: Norway is the 14th largest investor in Poland—so far it has invested approximately $50 million. In 1994 the trade volume between Poland and Norway amounted to $488 million, and in comparison with 1993, it increased by $57 million. However, the balance sheet in this trade continues to be adverse to us, and last year it stood at $262 million. Polish exports to Norway in 1994 almost doubled compared to 1993, reaching a level of $113 million. They are dominated by frozen soft fruit, coal, coke, as well as means of transport and wooden, iron, and metal products. We import first of all oil and oil-derivatives, which constitute 61.5 percent of Poland's total imports from Norway. In 1994 we bought nearly three times as much fish as in 1993. In our total imports the share of non-processed raw materials and goods amounts to 77 percent. The major companies that have invested money in our country are Ringnes ($40 million), Statoil, and Rema 1000. (Warsaw NOWA EUROPA in Polish 15 Mar 95 p 3)

TRADE WITH AUSTRIA: Poland bought $603 million worth of goods from Austria in 1994. Polish exports to that country amounted to $518 million. Our exports continued to be dominated by coal and coke. However, we sell increasingly more products of the paper- and food-processing industry, as well as leather products. We bought first of all metal-treatment machine tools, trucks, and chemicals, as well as sweets, drinks, and coffee. (Warsaw NOWA EUROPA in Polish 11-12 Mar 95 p 4)

COMMISSION WITH ITALY: Another session of the Polish-Italian joint commission, held in Warsaw, confirmed the interest of the Italians in participating in the superhighway construction project in Poland. Once again the Italian side proposed that Poland buy the Italian-made Pendolino train. Both sides also discussed the possibilities of Italian investment in telecommunications, power industry, petrochemical industry, and in the area of environmental protection. The commission pointed out that the Polish foreign trade deficit with Italy, which now amounts to $800 million, should be gradually decreased. (Warsaw NOWA EUROPA in Polish 10 Mar 95 p 3)

IRANIAN OIL: A few days ago the Gdansk Refinery signed a contract with the National Iranian Oil Company for the delivery of approximately 1.5 million metric tons of oil. The spokesperson of the refinery says that this is the last step toward becoming really independent from the Import-Export Center for Chemicals and Chemical Products (CIECH). (Warsaw GAZETA WYBORCZA in Polish 10 Mar 95 p 20)

GAS CYLINDER FILLING PLANT: In the Poznan Voivodship Office a draft contract was initialed on the establishment of a joint-venture with the British Petroleum (BP) and the State Treasury. The contribution of the Polish party will be the Korgaz Municipal Gas Cylinder Filling Plant in Swarzedz. The contract was sent to the privatization minister, who is to make the final decision. The BP's contribution will be allocated for the establishment of a distribution network, construction of filling stations, and the purchase of car cisterns for gas transport. (Warsaw NOWA EUROPA in Polish 11-12 Mar 95 p 4)

ROOF TILE FACTORY: Braas Polska, a holding in which most shares are British-owned, has begun building a roof tile factory in Opole. The investment will cost DM25 million, and production will start in a year's time and amount to 8 million tiles a year. (Warsaw GAZETA WYBORCZA in Polish 14 Mar 95 p 18)

GLUCOSE FACTORY: The international concern of Cargill, which already has fodder factories in Siedlce and Sierpc, is going to build a factory in which it will produce glucose for the sweetening of low-calorie food. The plant will be located near Wroclaw. The investment is to cost over $30 million; the factory, whose construction will be completed in a year, will manufacture 40,000 metric tons of glucose and employ 100 people. (Warsaw GAZETA WYBORCZA in Polish 13 Mar 95 p 18)

PRE-INSULATED PIPES: Pan-Isovit, a German concern, has opened a factory of pre-insulated pipes for the heat engineering sector in Katowice. The investment is worth DM2 million. The Germans have 70 percent of the shares. The factory will be able to manufacture approximately 500 km of pipes a year. (Warsaw GAZETA WYBORCZA in Polish 15 Mar 95 p 18)

PRODUCE PROCESSING PLANT: The Agrofroz Fruit and Vegetable Processing Plant in Gniewkow, Bydgoszcz Voivodship, will probably be bought by the French Bonduelle. This is now possible because Agrofoz has reached a banking settlement with its creditors. Bonduelle would like to buy 82 percent of Agrofroz shares. (Warsaw GAZETA WYBORCZA in Polish 15 Mar 95 p 18)

DAEWOO NEGOTIATIONS: The first round of negotiations on the sale of the shares of the Automobile Factor in Lublin to the Korean Daewoo has been concluded. Both sides signed a so-called framework agreement, which will enable them to set up a joint venture. The proper agreement will be signed in a few months' time. The negotiations will be resumed when the Korean concern obtains the permission of its government to invest money in Poland. Daewoo would like to buy 51 percent of the factory's shares. Its representatives say that the concern would like to manufacture approximately 90,000 passenger cars and 40,000 trucks a year in Poland. (Warsaw RZECZPOSPOLITA in Polish 16 Mar 95 p 9)

ECONOMY IN FEBRUARY: GUS reports that sales in companies dropped by 1.6 percent in February of this year. They were still 14.5 percent higher than in February 1994 and 21 percent bigger than the monthly average in 1992. Mining companies noted a 5.8-percent increase in production in comparison with February last year; compared to the monthly average in 1992, it was 7.6 percent lower. Sales in production companies were 18.4 percent higher than in February last year and 28.9 percent higher than the monthly average in 1992. In comparison with last year, the highest dynamics were noted in the cellulose-and-paper industry (34.8 percent), furniture industry (34.1 percent), and the industry of machines and appliances—30.9 percent. Sales in suppliers of gas, electricity, and water were 3.3 percent lower than in February last year and 2.4 percent lower than the monthly average in 1992. The average gross salary in February was Z643.77 and increased by 0.8 percent in comparison with January; the average net salary was Z524.91, which was 1 percent more than in January. In comparison with February last year, net salaries in companies increased by 36.4 percent. The average salary, in real terms, increased by 2 percent over last year, but compared to January, in February it fell by approximately 1 percent. Companies employed 5.677 million people (0.6 percent more than in January and 0.1 percent more than in February last year). The number of the unemployed at the end of February was 2.832 million people, 42,000 fewer than at the end of January. The unemployment rate dropped in February to 15.8 percent. In February last year it was 16.8 percent. Prices increased by 2.1 percent in February (4.1 percent in January). In comparison with February 1994, consumer prices were 33.6 percent higher. GUS believes that the decrease in the price increase rate should be maintained in March. The price increase in March is expected to reach 1.6 percent. In January, Poland exported Z3.583 billion worth of goods and services. In comparison with January last year, the export increase (in dollars) was 36 percent. Imports totaled Z4.388 billion. In dollars, they were 41 percent higher than January 1994. The share of developed countries in our exports in January was 79.3 percent (1.7 percent more than in January 1994). Our exports increased the most (45.1 percent), however, to Central and East European countries, as well as to the former Soviet Union. Germany is still our largest trade partner—its share in Polish exports increased to 39.7 percent and in imports, it fell to 26.8 percent. Our second largest trading partner is Italy. (Warsaw RZECZPOSPOLITA in Polish 17 Mar 95 p 7, 22 Mar 95 p 7)

MARCH FOOD PRICES: GUS reports that in the first 10-day period of March food prices were, on average, 0.6 percent higher than in the previous period. In comparison with the first 10-day period of February, food prices went up by 1.4 percent. (Warsaw GAZETA WYBORCZA in Polish 22 Mar 95 p 15)

CONVERTIBILITY OF ZLOTY: Poland will announce the convertibility of the zloty in the second quarter of this year, under Article 8 of the statute of the IMF, that is, in the area of all current transactions of the balance of payments. According to Deputy Finance Minister Ryszard Michalski, the government and the NBP will jointly send a letter to IMF in which they will officially accept the convertibility of the currency, which, under the new law on foreign exchange, already exists. (Warsaw RZECZPOSPOLITA in Polish 21 Mar 95 p 7)

COAL MINE CONCENTRATION: The industry minister presented the concept of concentration of hard-coal mines during an unofficial meeting with journalists. The minister said that "the concentration will make it possible to liquidate disproportions in salaries; perhaps we will be able to sell more coal abroad, and, aside from that, we are observing a process of concentration of branches in the world, and we cannot be worse if we are to be competitive." He said that specialists at the ministry are working on details for the project. (Warsaw RZECZPOSPOLITA in Polish 23 Mar 95 pp 1, 7)

NEW WROCLAW BUSINESS: A trade center of the Makro Cash and Carry will be set up in Kobierzyce, near Wroclaw. The company will spend approximately $15 million. It will be the fourth Makro center in Poland. Construction work will begin toward the end of March or in early April. It will render services to its first customers in November. (Warsaw NOWA EUROPA in Polish 20 Mar 95 p 6)

MONOPOLISTS BLOCK DEVELOPMENT: Private operators of local telecommunication networks complain that Telekomunikacja Polska SA (TP SA) blocks their development. TP SA says that private companies do not have enough money for investment and even though they have received licenses, they are not starting business. A Communications Ministry official said that the ministry has so far granted 55 license, but only six operators have started new telephone networks. Independent operators say, however, that TP SA is taking advantage of its monopolist position and making it impossible for them to set up business. (Warsaw RZECZPOSPOLITA in Polish 22 Mar 95 p 10)

TRANSPORT AGREEMENTS: The German federal minister of communications and the Polish minister of transport and maritime economy signed three state-level agreements on 20 March in Warsaw. They also discussed issues related to the construction of a West-East transport corridor, modernization and extension of border-crossing sites, and development of transport between the two countries. The ministers also issued a joint statement on combating car theft. (Warsaw RZECZPOSPOLITA in Polish 21 Mar 95 p 7)

HUNGARIAN IMPORT FEES: Since 20 March exports to Hungary have been burdened with an 8-percent tariff. Edward Molendowski, Poland's commercial adviser in Budapest, has no doubt that our exports to Hungary will decrease. According to him, the tariff will affect first of all the export of agricultural products, as well as KGHM Polska Miedz (a copper exporter), because copper constitutes over 20 percent of Poland's exports to that country. (Warsaw GAZETA WYBORCZA in Polish 22 Mar 95 p 14)

SWEDISH COMMERCE CHAMBER: Members of the Polish-Swedish Chamber of Commerce stated that the structure of Swedish imports in Poland shows that they are directed first of all toward industry. According to the Swedes, this structure is desirable and they will want to maintain it in the future. Instead of ready-made goods, they will want to import components for industry. (Warsaw NOWA EUROPA in Polish 17 Mar 95 p 3)

ORDER ON NFI RECOMMENDED: The Economic Committee of the Council of Ministers recommended the draft ordinance on the mode of including Treasury-owned companies in NFI. The selection of companies by NFI will take place in the process of drawing. Fifteen funds will take place in it. They will choose from among 420 companies. Initial plans envisioned 444 companies. Within seven days from the day the drawing takes place, the funds will have the right to exchange the selected companies with each other. This will be made under the supervision of the Antimonopoly Office, which has prepared a table that precludes two companies of the same branch from being included in the same fund. First the sequence of the drawing will be set, and then each of the 15 NFI's will choose one company. After the first round of the drawing, the sequence will be reversed. After three such rounds the sequence will be changed. The entire operation should be completed by the end of April. (Warsaw NOWA EUROPA in Polish 28 Mar 95 p 3)

SHARE CERTIFICATES: The auction commission of the Privatization Ministry chose PKO BP as the distributor of share certificates in the NFI program. The agreement is to be signed in a few weeks. Even though, in line with official information, the distribution of share certificates is to begin in October, this deadline will probably not be met, NOWA EUROPA was informed at the Privatization Ministry. One of the ministry's officials said that it could not be ruled out that PKO BP would need more time. (Warsaw RZECZPOSPOLITA in Polish 25-26 Mar 95 p 5, Warsaw NOWA EUROPA in Polish 29 Mar 95 p 10)

NO INTEREST REDUCTION: Witold Kozinski, first vice president of the NBP, told NOWA EUROPA that the central bank does not agree with the concepts of the Finance Ministry which involve lowering interest rates because this threatens the stability of financial policy. According to him, the dispute over interest rates is a clash of two entirely different concepts of financial policy. "According to the ministry, it is a threat to stability," he said. NBP cannot exert influence on the level of foreign exchange reserves in a situation in which exchange rates are set as they are now. It does not, however, want to make administrative decisions on zloty revaluation. "We cannot think only of curbing the reserves in the short run—in a year or two we will be in sore need of those reserves. It must be remembered that export is the motor of economic growth," Kozinski said. (Warsaw NOWA EUROPA in Polish 30 Mar 95 p 1)

MINING CONCENTRATION PLAN: Deputy Industry Minister Herbert Gabrys explained what the coal "umbrella" plan involves. It is to be an organization (a company) consisting of all the coal firms, whose task will be to "prevent losses caused by the mining sector itself." Coal firms will most probably have capital shares in this organization. The "umbrella" will coordinate coal trade on both the domestic and foreign markets. Aside from Weglokoks, there will be three or four big and several smaller companies trading in coal. The new organization will also offset mines' and mine firms' smaller revenues from coal exports. Another goal of the organization will be to conduct a joint personnel and wage policy in the mining sector. According to Gabrys, the "umbrella" will also help carry out a joint development and investment policy of the sector. (Warsaw RZECZPOSPOLITA in Polish 30 Mar 95 p 7)

LOCAL TELECOMMUNICATIONS: Optimus, the Polish computer manufacturer, is applying for a license that would enable it to set up a local telecommunications network. Together with foreign investors, the company would earmark $2 billion over five years. Optimus is thinking of a big operator network which would encompass one-third of the country, or 3.1 million subscribers. He believes that the large-scale of investment will make it possible to reduce costs to such a level that the prices of telephone installation and calls will be similar to those in the United States. However, to put this plan into effect, Optimus will need a big financial shot in the arm over the next few years. (Warsaw GAZETA WYBORCZA in Polish 27 Mar 95 p 21)

ENVIRONMENTAL PROTECTION: Spending on environmental protection in the voivodship is steadily increasing. The voivodship budget is significantly supported by the voivodship Environmental Protection Fund, financed from fees and fines paid by companies that are using various natural resources. The fund has recently distributed its money for 1995. Out of Z6.83 million, Z1.05 million was earmarked for the construction of sewage treatment plants. Eighteen gminas (smallest administrative units) can count on Z50,000 to Z150,000. The quality of the air in the region has been improving for a couple of months now, primarily due to the fact that coal furnaces are being replaced with gas or oil ones. Only in Gorzow Wielkopolski has the fund earmarked Z600,000 for gas supplies, as well as the installation of gas and oil furnaces; Z400,000 have been allocated for the equipment in the ornithological research post in the bird reserve in Chyrzyna. The fund's expenditures will be correlated with the expenditures of the voivodship's budget for environmental protection (Z1.45 million in 1995). (Warsaw NOWA EUROPA in Polish 28 Mar 95 p 4)

TRADE WITH RUSSIA: Last year, for the first time in five years, the share of commodity exchange with Russia had ceased to decrease, which does not mean that the Russians have a chance to regain the position the Soviet Union used to hold in our trade. Last year we sold $918 million worth of goods in Russia, and our imports there totaled $1.36 billion, which, respectively, constitutes 5.4 percent of our exports and 6.8 percent of our imports. The structure of imports from Russia is dominated by raw materials and semifinished products. Fuels and energy constitute 77 percent of imported products; if we add iron ore, caouchouc, and such chemical products as mineral fertilizers, this index will reach 89.5 percent. In line with official figures provided by GUS, in 1993 Polish importers bought in Russia only 2,655 television sets, 1,504 passenger cars, 32,000 wristwatches, and 3,827 refrigerators. Also, the smuggling of Russian-made products into Poland has become less profitable—the devaluation of the ruble was slower than the inflation rate, Polish border services have become more meticulous, and Polish citizens can now afford better-quality goods. (Warsaw RZECZPOSPOLITA in Polish 24 Mar 95 p 11)

ECONOMIC FORUM: Foreign Economic Cooperation Minister Jacek Buchacz and German Economy Minister Guenther Rexrodt took part in the first Polish-German Economic Forum of the Border Areas, held in Frankfurt-an-der-Oder. Participating in the meeting were also representatives of approximately 400 small and medium-sized firms from both countries. It is estimated by the Polish ministry that in 1995 the value of Polish exports to Germany will total approximately DM10.6 to DM10.9 billion, and imports—DM10-DM10.5 billion. Buchacz pointed out that cooperation between Polish companies and eastern-land German companies is developing very well. (Warsaw NOWA EUROPA in Polish 28 Mar p 3)

ECONOMIC COMPETITIVENESS: The most recent analyses of the Institute for Market Economy Research show that despite the fact that the transformation process has slowed down, the competitiveness of our economy has increased. Compared with the 13 Central-East European countries, Poland is a country that is attractive to foreign investors. According to the institute, the investment risk index in Poland is 2.8 (on a scale of 1.0 to 5.0); in the Czech Republic and Hungary it is 2.5. It is the lowest in the former GDR—1.7. The researchers evaluated first of all the political and social stability of the countries in question, as well as results of the economic transformations. (Warsaw NOWA EUROPA in Polish 30 Mar p 1)

SCANIA BRANCH: On 23 March in Warsaw, Scania, the Swedish manufacturer of trucks and buses, set up its branch office Scania Polska, which will take care of the sales and servicing of vehicles that it is manufacturing. Swedish Scania trucks have been manufactured in Poland since 1993 by the Scania Kapena joint venture. (Warsaw NOWA EUROPA in Polish 24 Mar 95 p 3)

Romania

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'ARTIFICIAL' EXCHANGE RATE: The exchange rate of the dollar is still at 1,799 lei, that is, still under the critical 1,800-lei threshold. Meanwhile the exchange rate policy of the government and the National Bank (BNR) has come under heavy criticism. Joseph Owen, the representative of the World Bank in Bucharest, criticized the current stable exchange rate of the Romanian national currency, as he considers it artificial and solely intended to curb inflation. "Sustaining the national currency against various tendencies on the financial market is an unhealthy policy," said Owen. At the same time a high-ranking official of the BNR said that the currency market in Romania is neither an artifact nor ailing. Compared with the starting time of that market in August 1994, the number of transactions has increased two- to three-fold, reaching a daily average of $20 million. Over December 1994 and January 1995 peaks of $50 million a day were recorded. "The exchange rate of the leu is not decided upon in any of our national banks or in other such places, being rather the result of supply and demand," said the deputy governor of the BNR. (Bucharest ADEVARUL in Romanian 16 Feb 95 p 5)

STATE SECTOR DECLINES: In 1994 the proportion of those employed in the state sector decreased from 90.5 to 71.5 percent. From the point of view of turnover, the weight of the state-owned sector decreased from 77 percent to 72 percent. These figures were published in an annual report on the private sector of small- and medium-size enterprises in Romania carried out by the Crimm Foundation and co-financed by the Romanian Government and the EU. The growth in the private sector was mainly due to the development of small- and medium-size enterprises, which currently employ 92 percent of the total staff in the private sector and contribute 99 percent to the turnover of that sector. The report also shows that enterprises with up to nine employees represent 92 percent of the total number of active enterprises in the secondary sectors, mainly trade. Small enterprises with between 10 and 99 employees prevail in industry, while medium-size enterprises, with 100 to 499 employees, are mostly in the construction industry. (Bucharest ROMPRES in English 0851 GMT 17 Feb 95)

NEW DANUBE BRIDGE: The EU, together with the Romanian and Bulgarian Governments, is to discuss a proposal to build a Danube River crossing between the two countries, which is needed for trucks that have to avoid Yugoslavia. The EU has already financed a study to choose a place for a road bridge or a road and rail bridge, the costs of which are estimated at ECU150 to 400 million. Internationally renowned firms, such as Mitsubishi of Japan and other Turkish, Austrian, and South African building companies, have also shown an interest in the contract. (Bucharest ADEVARUL in Romanian 18 Feb 95 p 5)

INDUSTRIAL PRODUCTION: Important industrial branches, favored by internal and external economic circumstances, have good prospects of developing in 1995, said Dan Ioan Popescu, secretary of state at the Ministry of Industries. For the first time since 1990, tendencies toward an increase have been reported in the sale of consumer goods, such as textile products, ready-to-wear clothing, knitwear, footwear, furniture, and paper. The higher demand is due mainly to the easing of the social strain caused by the transitional period and the massive reduction in inflation. On the other hand, the reviving of investment expected this year favors the revival of the production of building materials, machinery, iron-and-steel goods, and so on. (Bucharest ROMPRES in English 0914 GMT 20 Feb 95)

DACIA'S NEW MODEL: "This month, the 1995 model of the Dacia-type car will go sale," the head of the Pitesti-based car manufacturing company told the press. The new model will have a 1.6-liter engine and, despite the increase in the engine's output, its gasoline consumption will be lower. Another 1995 project of the factory is to assembly a car jointly with Peugeot of France. Demand for Dacia cars is constantly rising on the domestic and international markets, the company director said. "At present we are delivering 600 Dacia cars to South Africa. We also have traditional markets in China and South America. We currently have firm contracts for about 30,000 cars. Our exports last January were six times higher than at the beginning of 1994," he said. (Bucharest ROMPRES in English 0909 GMT 20 Feb 95)

MEDICAL EQUIPMENT IMPORTS: The Romanian Government has authorized the Health Ministry to import medical equipment for cardiology and heart surgery amounting to $35 million in order to organize cardiology centers in Bucharest, Cluj, Iasi, Timisoara, and Tirgu Mures. The organization of these centers became necessary due to the high death rate caused by cardiovascular diseases, which amounted to 712.4 out of 100,000 inhabitants in 1993. (Bucharest ROMPRES in English 0820 GMT 26 Feb 95)

EBRD PROJECTS FOR 1995: So far, the projects of the European Bank for Reconstruction and Development (EBRD) for Romania have totalled some $560 million. The estimated projects for 1995 amount to $180 million, EBRD Bucharest Representative Mike Hicks told the press at a recent news conference in Bucharest. The end users of the credits are mainly to be found in the state sector, since "investments have not been made there since the 1980's." Referring to finances, Mike Hicks said that the EBRD has so far invested in three private commercial companies, has opened credit lines for the Agricultural Bank and the Romanian Bank for Development, and will participate in the latter's privatization. In privatization, the EBRD is considering a program of technical assistance, with PHARE (Economic Reconstruction Aid for Poland and Hungary) funding, to stimulate the interest of foreign investors. Stressing that the EBRD is also involved in the private sector—in such projects as the renewal of the Athenee Palace Hotel, the Coca-Cola factories in Iasi, Oradea and Timisoara, and the EMCOM-Siemens joint venture—and that the number of projects in that compartment was growing, Mike Hicks said that the most important domain in the public sector remained the infrastructure: railways, telecommunications, energy, and road construction. He said that the EBRD together with the PHARE program have set up the Romanian Post-Privatization Fund, with an overall capital of ECU45 million, which will become operational next autumn. (Bucharest ROMPRES in English 1118 GMT 27 Feb 95)

RAIL MODERNIZATION: Final negotiations will be held with the World Bank and the EBRD in March on a $200-220 million loan which, along with the balance of $380 million coming from domestic sources, will be used to modernize the Romanian railways in keeping with the latest European requirements. According to Vasile Olievschi, vice president of the National Railways Corporation, the target sectors are: infrastructure, which is an essential sector if high speeds of 160-200 kilometers per hour are to be achieved on the railways; the telecommunications and signalling sector; the rolling stock (cars and locomotives), which must be updated; and the integrated data processing system. The railway official also said that attention is currently being focused on developing the links between Romania's capital and Western Europe—that is, the railway line connecting Bucharest to the Curtici frontier point with Hungary—and on establishing a link with Ukraine and the Republic of Moldova for commercial reasons. (Bucharest ROMPRES in English 0817 GMT 28 Feb 95)

TEXTILE EXPORTS: After many years of stagnation and losses, Romania's exports of clothing to the developed countries have registered a growth in 1994. The total export figure amounts to $440 million, compared to $388 million in 1989. The textile factories managed to export their products to such countries as Italy and Germany, although initially they worked exclusively for markets of the former Soviet Union. (Bucharest ROMPRES in English 1000 GMT 28 Feb 95)

GALATI STEEL: The steel plant of Galati, about 300 kilometers east of Bucharest, sold 3,000 metric tons of rolled iron at $261 per metric ton to METALEXPORT-IMPORT of Bucharest at an auction organized by the Constanta Commodity Exchange. (Bucharest ROMPRES in English 1817 GMT 28 Feb 95)

TELECOMMUNICATIONS REFORM: According to Communications Minister Adrian Turicu, "Romania has reached a level comparable to the developed countries" in telecommunications. "In 1995, we will continue to introduce new digital telephone exchanges and we expect to install 228,000 telephone lines in Romania's cities," the minister told the press at a recent news conference. He added that, since 1990, the field of telecommunications has registered many achievements, such as access to the international automated system; the introduction of 371,000 phone lines in digital telephone exchanges; the implementation of the first major optical-fibers trunk connections; the development of satellite communication for intercontinental calls; and the creation of conditions for satellite communication in Europe and new services. Financial resources for telecommunications mainly consist of external long-term credits, with under 10 percent interest, granted by international banks such as: IBRD (International Bank for Reconstruction and Development), EBRD, KFW-Germany, Societe Generale-France, Korean Eximbank, and Nordbanken-Sweden. Financial resources allotted from state budget to the Communications Ministry in 1994 were mainly earmarked for radio communications, namely 52.9 percent out of the total financial sources. (Bucharest ROMPRES in English 0926 GMT 1 Mar 95)

TO CURB INFLATION: The government issued on 3 March an urgent ordinance instituting the obligation to correlate the salary rise with the production growth, reads a release from the Romanian Government of 3 March. The step was taken in order to avert inflation that might be generated by the practice of economic units to operate pay rises on account of raising prices and tariffs with products and services they supply, the release reads. According to the ordinance, there will also be a correlation of the volume of activity with the growth of the economic efficiency of the public corporations and commercial companies with mostly state-owned capital. The ordinance establishes a legal framework similar to the one existing in all countries in transition and, according to government members, marks a legislative progress as compared with previous regulations in this domain. The document, which will be a useful instrument in the unfolding salary negotiations, was the object of consultations with parliamentary groups. If unjustified salary raises are traced, severe sanctions will be applied, both with the companies and responsible natural persons. The government also decided in its 3 March meeting to establish a special regime of economic and financial monitoring with eight public corporations and about 130 commercial companies with mostly state-owned capital, in view of speeding up their restructuring. On choosing the respective economic agents, account was taken of the fact that they generate loses and, by their importance and connections in the economy they hinder the normal functioning of the viable ones, the release also reads. (Bucharest ROMPRES in English 1608 GMT 4 Mar 95)

EU HELP FOR STEEL: The Romania-EU Steel-Processing Contact Group in Brussels has established a technical aid program to help Romania restructure its steel-processing industry. When Romania signed its association agreement with the EU (1 February) quotas for trade in steel products with the EU were lifted. Customs duties on EU coal and steel products will be ended within the next six years. A similar agreement is in effect with EFTA countries. Romania has agreed with the EU to use a system of double licenses, by which the EU countries will only grant import licenses on the basis of export licences from Romania. The purpose is to prevent substandard Romanian products originally intended for non-EU markets from entering the EU market. (Bucharest ROMPRES in English 1602 GMT 2 Mar 95)

STEEL INDUSTRY ON TRACK: The indicators forecast for production and foreign trade in the metallurgical industry for the first half of 1995 have been achieved, according to Petre Ianc, director in the Ministry of Industry. In January, at 470,000 metric tons, steel production was 20,000 tons higher than in January 1994. Output of aluminum, zinc and lead was also higher. Exports were $65.6 million the same month. Imports are estimated to be approximately $60 million. Production in thousands of metric tons in 1995 is estimated to be: raw steel 6,000, pig iron 3,900, metallurgical coke 2,800, finished rolled goods 4,800, pipes total 490, aluminum 125, lead 25, zinc 20. Exports are forecast at $800 million, imports $720 million. Domestic metal consumption is envisaged to remain at the 1994 level. (Bucharest ROMPRES in English 0734 GMT 8 Mar 95)

OIL INDUSTRY RESTRUCTURING: The main objectives of Romania's strategy in restructuring its oil industry over the period 1995-2000, as articulated by the Ministry of Industries with the support of consultants and the World Bank, are ultimately to achieve the maximum possible production, while discovering new reserves, and, in the short term, to maintain the production levels of 1992-94. In pursuing this strategy the main aspects will be to expand off-shore geological surveys at depths of over 3,000 meters in order to find new crude and natural gas reserves; to modernize production technologies and purchase high-tech equipment so as to secure an annual production of 6-7 million metric tons of crude and 15-16 billion cubic meters of natural gas, and to increase the underground storage capacity for natural gas, modernize the crude and gas transport and distribution systems. In order to cope with demand for natural gas, Romania plans to join the natural gas transport systems from Ukraine and Moldova. A liquid gas terminal will be built at Constanta. (Bucharest ROMPRES in English 0815 GMT 3 Mar 95)

TRANSPORT INFRASTRUCTURE: Romania's railroad network covers 22,367 km. Some 16,542 km are simple railroad lines and 5,825 km electrified lines. It has over 1,200 stations. Linking Romania's railroad system to the European system, ensuring safe and civilized conditions, and increasing the speed of the trains are among the aims in modernizing the railroad system. Romanian Rail (SNCFR) aims ultimately to ensure the access of international transport to the Romanian infrastructure. In addition there are plans to introduce multimode or combined transport opportunities. Romania has 17 airports, four of them international. TAROM is the main Romanian airline. In comparison with previous years, TAROM air traffic increased 20 percent in 1994. It has started to operate on more European routes (Stuttgart, Stockholm, Dusseldorf, Belgrade) and also long-haul (Delhi and Calcutta). This year TAROM is expected to fly to Canada. In 1994, TAROM purchased three Boeing 737s and a further six are to be delivered by the end of 1997. Other Romanian airlines are Yaro International and Tiriac Aviation. For 1995-1996, the Ministry of Transport plans to strengthen the transport infrastructure and improve service. The road network is 72,816 km. Some 4,508 km are to be modernized to comply with European road safety standards. All works will receive international funding to cover imports of materials and fuel, maintenance, and the technical training of Romanian specialists. The EBRD, the World Bank, and the European Investment Bank have granted almost $17 million to Romania. The government has decided to start works on the Bucharest-Pitesti highway, to build motorways on the routes Bucharest-Constanta, Bucharest-the South Belt, Pitesti-Sibiu, Sibiu-Deva-Nadlac, Bucharest-Brasov and Bucharest-Giurgiu, and to build a network of 2,648 motorways and 2,560 km expressways. (Bucharest ROMPRES in English 0705 GMT 1 Mar 95)

EMIGRATION'S ECONOMIC IMPACT: A study by Romania's Institute of Scientific Research for Labor and Social Security estimates that in the last five years the Romanian economy has lost 1,000 billion lei, or about 5 percent of 1993 GDP, as a result of official emigration. This figure represents the loss of investment in higher education and losses resulting from nonpayment of taxes and social security payments. More than half the emigrants are aged between 18 and 40. Some 30,500 of those who emigrated up to 1995 are pensioners. More than 40 percent are graduates of high school, post-high or higher institutions. The number of these has been increasing recently owing to the selection of skills made by immigration countries. According to recent data, about 263,000 persons have emigrated from Romania since 1990. (Bucharest ROMPRES in English 1015 GMT 6 Mar 95)

TRADE WITH TURKEY: Trade between Romania and Turkey showed a surplus for Romania in 1994. This amounted to $102 million, a slight decrease from the previous year, according to the Ministry of Trade. The decrease in commercial exchanges from $425 million in 1993 to $386 million in 1994 was due to the recovery program adopted in April last year, the effect of which was to reduce imports. Romanian exports included ordinary metals, chemical and petrochemical products, mineral and vegetable oils, and textiles. Electronic equipment, food, plastic materials were the main products imported by Romania from Turkey. On February 20, 3,730 Romanian-Turkish joint ventures were registered for the current year, the invested Turkish capital being $57.4 million. Turkey ranks third among foreign investors in Romania in terms of the number of joint ventures, after Germany and Italy, and 10th in terms of invested capital. (Bucharest ROMPRES in English 0856 GMT 7 Mar 95)

GERMAN, ITALIAN INVESTORS: According to the National Office of the Trade Register, of 136,618 registrations in 1994, 99.5 percent were private firms. Regarding the value of subscribed capital, private commercial companies contributed 40.5 percent of the total value. Some 10,606 foreign companies were registered in 1994, and they contributed around $390.4 million nominal capital (in hard currency). In terms of the the number of companies in which they invest foreign capital, Germany ranks first, with 1,642 registrations in 1994, followed by Italy, with 1,333 and Turkey with 749. In terms of subscribed nominal capital, South Korea ranks first, with $156.276 million, followed by Germany, with $44.95 million, Britain, $26.77 million, and Italy, $17.07 million. (Bucharest ROMPRES in English 1530 GMT 7 Mar 95)

SOUTH KOREAN COOPERATION: At a meeting with Aurel Ghibutiu, president of Romania's Chamber of Commerce and Industry, Pak Su-Wan, president of the South Korean company Lucky Goldstar and president of the Korea-Romania Committee, expressed the readiness of Korean companies to cooperate with producers and tradesmen in Romania. Pak Su-Wan, currently on his first visit to Romania, stressed the need to intensify the exchange of information and reference materials between the two countries, put into practice the objectives of the cooperation agreement between the Romanian and South Korean Chambers of Commerce and Industry, organize mutual economic missions, and participate in international fairs and exhibitions. (Bucharest ROMPRES in English 1538 GMT 7 Mar 95)

FARM PRODUCE TO EU: According to Romania's association agreement with the EU, some types of meat and cheese, natural honey and various vegetables and fruits are favored on export to the EU market. The advantages derive from concessions granted by the community for a range of farm produce imported from Romania whereby customs duties are lowered or waived and quanity restrictions are lifted. (Bucharest ROMPRES in English 1756 GMT 7 Mar 95)

POLL ON JOINING EU: According to the Eurobarometer, a EU poll conducted in the former East European communist countries, the Romanians are the most optimistic nation in this part of Europe regarding their belief in the market economy. They are also top believers in the beneficial effects of their country's future integration within the EU, considering that most social categories would profit from joining that body. It is worth mentioning that among the polled countries Romania and Albania were the only ones in which the majority had a positive image about the EU, with 51 and, respectively, 72 percent. In the case of Romania this positive image is most predominant among the class of public servants aged 40 to 45. (Bucharest ADEVARUL in Romanian 8 Mar 95 p 5)

AIRPORT MODERNIZATION: In 1994 the Transportation Ministry proposed making several domestic airports, such as the ones in Baneasa, near Bucharest, Bacau, Cluj, Iasi, and Targu Mures international airports. Last year's program for enlarging and improving Romanian airports included the modernization of Runway 1 of Otopeni Airport (Bucharest) and the provision of modern beaconing equipment for Timisoara Airport. An air traffic control center was opened last year at Arad Airport, which, together with two similar centers that will start operation in 1995 in Bucharest and Constanta, will ensure the radar coverage of Romania's entire territory. The 1995 investment program includes the modernization of the passenger departure terminal and the building of an access road at Otopeni Airport, as a result of which the airport will meet highest international standards by 1997. (Bucharest ROMPRES in English 0950 GMT 8 Mar 95)

TIES WITH PARAGUAY: According to authorized sources at the Trade Ministry, the prospects for furthering economic relations with Paraguay were good. Last year Romanian exports to Paraguay included chemical products, textiles, automobiles, and electronic equipment. The same sources said that in the future the range of products will expand to include tractors, agricultural machines, and oil equipment. Imports in 1994 from Paraguay were mainly food products. There are many fields in which Romania is interested in cooperation with Paraguay, the sources said, such as the export of Romanian equipment for modernization of spinning mills, the joint construction of buses, and cooperation in timber processing. (Bucharest ROMPRES in English 1709 GMT 10 Mar 95)

GAS PRICE INCREASE REQUESTED: During a 9 March news conference Lucian Motiu, general director of the Chemical and Oil Industry Direction of the Ministry of Industry, requested that the price of gasoline should be increased. Motiu explained this by the fact that "last year, when we set the gasoline price at 450 lei per liter, the world oil price was $105 per metric ton, whereas now it is $130 per metric ton, which is a 25-percent increase. Considering that 75 percent of the crude oil we process comes from imports, oil processing has become unprofitable in Romania, as the largest part of the profit is absorbed as a result of that unfavorable price difference." Besides this, Motiu said, when the old gasoline price was set the exchange rate was 1,800 lei to the dollar, whereas now it lies well above that level. (Bucharest ADEVARUL in Romanian 10 Mar 95 p 1)

RUSSIAN GAS: In 1995 Romania will import 6-7 billion cubic meters of natural gas from Russia, Cristian Istodorescu, director in the Ministry of Industries, told ROMPRES. Contracts will be signed this week with representatives of the Russian Gazprom and Gazexport companies. The Russian party conditioned the contract on payment for the natural gas delivered in 1993. Payment will be made in cash during the current year, but also by means of works carried out by Romanian companies in Russia by barter deals. Thus, equipment worth $18 million and building-assembly works worth $11 million are under contract. They will be financed in a barter system. The estimated price for 1,000 cubic meters of gas is $80-90, the precise figure varying in accordance with the quantity required and the duration of the contract. (Bucharest ROMPRES in English 0925 GMT 13 Mar 95)

INTEREST RATES: The BNR reduced the interest rates applicable to refinancing credits by 4 percent, compared to last February, thus giving further incentives to foreign investors and the productive sectors. (Bucharest ADEVARUL in Romanian 16 Mar 95 p 6)

FREE TRADE ZONES: According to Valentin Iliescu, general manager of the Free Zones Agency, a new free trade zone, South Constanta, has become fully operational. At present, there are four operational free zones in Romania—Sulina, Constanta, Galati, and Braila—and several others in the planning stage: Cristesti-Iasi, Satu Mare, Oradea, Curtici-Arad, and Basarabia. (Bucharest ADEVARUL in Romanian 16 Mar 95 p 6]

TRADE, INDUSTRY PROTECTION: The Ministry of Industry estimates that industrial exports in 1995 will reach $6 billion, that is $0.5 billion more than in 1994. Analysts believe that the promotion of exports and the protection of the national industry—while observing Romania's international commitments—requires a new legislative framework. New tariff regulations on the import of certain industrial products provide for customs duty exemptions or reductions for the import of raw materials and spare parts needed to boost the domestic industrial production earmarked for export. (Bucharest ROMPRES in English 0813 GMT 17 Mar 95)

JAPANESE CREDIT: The government of Japan will grant Romania a credit of $700 million for the construction of the container terminal in the Black Sea Port of Constanta and for improvement work on certain national highways in the southern part of Romania. The credit has a reimbursement period of 20-30 years and an interest rate of 2-3 percent. The highways envisaged to be rebuilt connect Arad to Turnu Severin; Craiova and Alexandria; Bucharest-Giurgiu; and Bechet-Calafat. The reconstruction of these roads is part of a national program to build new roads, highways, railroads, waterways, and air routes. With this project, Romania's Ministry of Transport aims at establishing a link between Central-Eastern Europe and the Western part of the continent, by establishing a connection to the main transport corridors agreed upon at various pan-European transportation meetings. Statistics show that the car traffic transiting Romania had increased four times over in 1992, compared to the situation prior to the outbreak of war in ex-Yugoslavia, and eight times over by the end of 1993, which proves that Romania became the main access route from West to East. (Bucharest ROMPRES in English 1009 GMT 17 Mar 95)

TRADE WITH SWEDEN: The Romanian-Swedish bilateral trade exchanges amounted to $71.5 million in 1994. There are 440 joint Romanian-Swedish companies operating in Romania, with an aggregate nominal capital of $6.9 million. (Bucharest ROMPRES in English 1634 GMT 17 Mar 95)

CHAMBER WITH RUSSIA: A Romanian-Russian Chamber of Commerce and Industry has been operating in Romania since January 1995 as an autonomous, nongovernmental, nonprofit and apolitical association, founded at the initiative of several private and state-run commercial companies in Romania. The Chamber aims at promoting the interests of its members in fields such as trade, services, production, and local and bilateral investments. (Bucharest ROMPRES in English 0722 GMT 20 Mar 95)

INDUSTRIAL EXPORTS: Industrial products accounted for 90 percent—$5.5 billion—of the exports in 1994, which totalled $6.1 billion. The main industrial commodities exported last year were textiles, garments, leather goods, and footwear 14.3 percent; metallurgical products 17.6 percent; products of the machine-building industry 15.1 percent; oil products 11.5 percent; and furniture and timber products 10.2 percent. Light industry and furniture accounted for 34.5 percent of the exports. The main countries to which Romania's exports went in 1994 were the following, in order of importance: 1. Germany; 2. Switzerland; 3. Italy; 4. Great Britain; 5. Austria; 6. the Netherlands; 7. the United States of America; 8. China. An increase in exports to Europe, to the detriment of Asia, became noticeable last year. Imports amounted to $7.1 billion in 1994, with industry ranking first (82-84 percent), mainly because of energy imports. Some 75 percent of the overall imports came from Europe, with Germany in first place, followed by

Russia, Italy, the United States of America, Great Britain, and France. (Bucharest ROMPRES in English 0820 GMT 22 Mar 95)

SUGAR IMPORT TAXES: The Agriculture Ministry has worked out a draft government decision stating that the currently imposed 25-percent taxes on sugar imports should be increased to 145 percent. The new custom taxes will become effective on 1 June 1995 and will apply both to refined and raw sugar imports. (Bucharest ADEVARUL in Romanian 25-26 Mar 95 P 1)

BANEASA AIRPORT: As of March 27, Bucharest Baneasa Airport will operate international flights. Part of the necessary facilities for customs control are already operational. Alitalia, Lufthansa and Austria Airlines have filed applications for operation at Baneasa Airport. Baneasa Airport will operate daily some twenty takeoffs and landings, while the volume of cargo merchandise is estimated to total some 180,000 metric tons annually. The Ministry of Transport announced that other Romanian airports, such as those in Bacau, Cluj-Napoca, Iasi, Targu Mures, and Suceava are also to switch to international traffic. (Bucharest ROMPRES in English 0934 24 Mar 95)

CONTRACT FOR CRUDE: Ion Gheorghe Popa, president of the Petrom Public Corporation, and Ernest Cook, president of the London Marine and Mercantile Securities signed on 25 March in Bucharest a contract regarding "exploitation and sharing of production in the Moincesti VI area." The contract stipulates investments of at least $17 million in the exploratory stage, as well as $200-300 million afterwards, if significant crude resources are discovered. The British Company has been cooperating in the past five years with good results with Ukraine and Bulgaria. (Bucharest ROMPRES in English 1420 GMT 25 Mar 95)

FEBRUARY EXPORTS: Exports in convertible currency in February totalled $591.3 million, 44.1 percent higher than in January this year and 5.3 percent higher than in February 1994, while FOB imports on convertible currency registered $612.9 million, 52.3 percent higher than in January 1995 and 55.3 percent higher than in February 1994. The volume of imports in the first two months of this year was put at $1,015.3 million, 26.3 percent higher than those in the same period in 1994, while a deficit of $9.2 million was registered in the balance of trade on 28 February. Private economic agents involved in foreign trade activities in the first two months of 1995 operated exports worth $297.1 million, 7 percent lower than the same interval last year, while FOB imports of $388.4 million went 13.3 percent higher. The share of the private sector in export operations was 29.5 percent, while in imports it was 38.2 percent. Retail goods sales went up by 0.4 percent compared to the preceding months, while the volume of commercial services to the population went up to 316.5 billion lei, 0.9 percent lower than in the past month and 13.4 higher than in February 1994. Consumption prices also went up by 1.4 percent compared to January 1995 and by 3.5 percent compared to December 1994. Prices went up by 50.7 percent compared to February 1994. The ratio between the nominal net average wages and price consumption in February 1995 was 100.3 percent for the past month and 108.4 percent for February 1994. (Bucharest ROMPRES in English 29 Mar 95)

INDUSTRIAL PRODUCTION: Inflation went down below 1.5 percent last February, the lowest level recorded after the price thaw, said National Statistics Board president. The industrial production in February 1995 was 9.2 percent higher than the month before, in comparable conditions in terms of number of workdays and 2.9 percent in absolute terms, and 11.1 percent higher than in February 1994. Bigger production levels were reached in all branches except for coal and hydrocarbon extraction, rubber and plastics. In the first two months of this year, the production was 7.5 percent higher than in the relevant period of 1994, especially due to processing industries that reported an 8.8 percent rise. Higher production levels have been recorded in this period in the area of consumer milk, milk powder, and fresh dairy products. Production was smaller with fiberboards, newsprint and oil. The value of production turned out in the first two months of this year by industrial companies totalled 6,240.1 billion lei (3,181.4 billion lei in February), and supplies to home and foreign markets were worth 6,111.4 billion lei (3,160.7 billion lei in February). Producers' stocks of finished goods on 28 February were worth 2,261.9 billion lei. The value of contracts and orders of the processing industries at the end of February was 14,262.7 billion lei. (Bucharest ROMPRES in English 1643 GMT 29 Mar 95)

IRON, STEEL INDUSTRY: Last year the iron and steel industry exported products worth $764.8 million, while imports amounted to $640 million, that is, the 1994 profits of this branch reached $124.8 million. The iron and steel exports accounted for 13 percent of Romania's overall exports. This year's forecasts are less optimistic: owing to the introduction of new customs tariffs with the EU countries—as Romania has become an EU associate—as well as to protectionist measures initiated by the U.S. steel industry, 1995 Romanian iron and steel exports are expected to increase only 2 percent over the past year. Forecasts for domestic consumption are no brighter, as most consumers lack money to order raw materials because they have not been paid for the goods they have delivered to customers. (Bucharest ADEVARUL Romanian 29 Mar p 6)

PERSONAL SAVINGS: The population's savings deposits increased in January by 9 percent over December last year, although the interest rate was cut in the meantime. (Bucharest ROMPRES in English 1217 GMT 30 Mar 95)

ECONOMIC REFORM: Speaking at a seminar on "Transition to the Market Economy and Economic Reform in Romania," held 1-3 April at the Economic

Studies Academy in Bucharest, Academy member N.N. Constantinescu said that over the past five years "the costs of the transition process in Romania exceed the value of the damage done to our country in World War II." (Bucharest ADEVARUL in Romanian 3 Apr p 8)

EBRD-FINANCED PROJECTS: Representatives of the EBRD in Bucharest say the projects initiated so far by Romania and financed by the EBRD amount to $560 million. These projects were intended mainly for infrastructure development in the energy industry, railways, road transportation, telecommunications, and finance. (Bucharest ROMPRES in English 1422 GMT 5 Apr 95)

EXPORTS, PRODUCTION UP: Romania's exports improved in the first two months of 1995. Consumer sales also increased and industrial production was up 9.2 percent in February, which was 7.5 percent higher than a year ago. (Bucharest ROMPRES in English 1651 GMT 7 Apr 95)

EBRD GRANTS CREDITS: The EBRD has granted some ECU469 million of credits to Romania so far for the development of the country's infrastructure: telephone network, telecommunications, roads, border-crossing points. (Bucharest ROMPRES in English 0732 GMT 13 Apr 95)

FOOD INDUSTRY FEDERATION: Employers' organizations in the food sector, representing some 370 companies with state, mixed, and private capital, from nine branches—meat, fish, milk, sugar, oil, beer, canned fruit and vegetables, and beverages—with a total personnel of 200,000, formed the Romanian Food Industry Employers Federation. (Bucharest ROMPRES in English 0852 GMT 13 Apr 95)

NATURAL GAS FOUND: The UK Enterprise Oil Exploration Company completed its testing program on Doina-2 derrick in the Black Sea, situated some 115 kilometers east of Constanta, and found that it collects a natural gas discharge of 497,000 cubic meters per day. This amounts to the discovery of a huge natural gas deposit in Romania's off-shore zone. (Bucharest ROMPRES in English 1554 GMT 14 Apr 95)

ENTERPRISE PRIVATIZATION: Out of the 13,076 mostly government-owned companies currently operating in Romania, 3,000 will be privatized in the next stage, according to the mass privatization program initiated by the Vacaroiu cabinet. (Bucharest ROMPRES in English 1300 GMT 18 Apr 95)

MONETARY POLICY: The governor of BNR, Mugur Isarescu, told a press conference at the end of March that the money supply had grown by 5.1 percent, higher than that registered on December 31, 1994. A most remarkable fact is that population's bank savings have grown by 20.2 percent in the first quarter of this year. This shows, in his opinion, that even if nominal rates of interests have lowered, the population is still confident in the national currency and favors savings in lei rather than in foreign currencies. The growth registered in the population's savings represents at the same time the main noninflationist source to credit the economy. The non-governmental credit has grown by 13.2 percent in the first quarter of this year while the growth registered in the population's savings covered 44 percent of the non-governmental credit growth. After a substantial growth of some $550 million in 1994, the foreign currency reserves of BNR have fallen from $593 million by the end of December, to $434 million by the end of February, following the intervention of the National Bank on the hard currency market with payments on the account of the foreign debt, according to Mugur Isarescu. The BNR's hard currency reserves have not registered lower figures than the estimated ones. Moreover, In the first quarter of this year the BNR has continued to honor payments on the account of public foreign debt, totalling some $115 million. Governor Isarescu reminded that the BNR registered in 1994 a growth in hard currency of some $550 million, being also able to honor all state commitments in hard currency (over $500 million, including also duties for imports operated over 1991-1993). During the same press conference, Governor Isarescu said that starting February 1995, the BNR had become again a clear buyer on the hard currency market, which, together with the change in the regulation of compulsory reserves, has allowed for a rapid recovery in the hard currency reserves. So, the National Bank's reserves were registering on April 14, $529 million, which however shows an improvement as to the situations registered by the end of 1994. The BNR's Administration Board is maintaining its strategic objective to act on several ways in view of further growing the Central Bank's hard currency reserves and aiming to register some one $1 million by the end of this year. As for gold reserves, the main component of Romania's international reserves, they have further grown out of domestic resources, from 81.7 metric tons in December to 82.3 metric tons in March this year. (Bucharest ROMPRES in English 0826 GMT 25 Apr 95)

APRIL UNEMPLOYMENT: The unemployment rate in Romania on 20 April was 10.7 percent, reports the Ministry of Labor and Social Protection. Out of the 1,196,982 registered unemployed 661,398 are women. At the same time there were 16,241 jobs offered countrywide. (Bucharest ROMPRES in English 1544 GMT 20 Apr 95)

INFLATION RECORD LOW: According to a report presented by Alexandru Radocea, the chairman of the National Statistics Commission, in March Romania's industrial production increased by 17.6 percent compared to the previous month. Over the first quarter industrial production grew by 10.2 percent compared to the same period in 1994. The inflation rate was 1.5 percent, which is the lowest level registered since the liberalization of prizes. Over the first quarter this year exports increased by 22.5 percent, while imports by 40.4 percent compared to the first quarter last year. (Bucharest ROMPRES in English 0845 GMT 26 Apr 95)

Slovakia

AU2103083695 Economic Review—FOR OFFICIAL USE ONLY

BUDGET DEFICIT, ECONOMY: At its meeting yesterday, the Government of the Slovak Republic (SR) took note of a report on the fulfillment of the state budget of the SR in December 1994. The general development trends of the economy of the SR in 1994 can be described as favorable and positive. The GDP grew 4.7 percent in constant prices, to 182 billion korunas (Sk) (GDP in current prices rose 16.6 percent, to Sk398.9 billion). The year-to-year rate of inflation went up 13.4 percent, with food prices registering the highest annual price growth (16.2 percent) and services paid by the population the lowest price growth (10.7 percent). The end-of-year rate of unemployment reached 14.8 percent, which represents 371,481 people without work. The highest rate of unemployment was in Rimavska Sobota district (29.4 percent) and the lowest in Bratislava-City (3.9 percent). According to preliminary data of the National Bank of Slovakia (NBS), the budget management of the SR recorded a deficit of Sk22.8 billion. This deficit includes the SR's expenditure (of Sk14 billion) caused by the clearing system of payments with the Czech Republic (CR). These payments were realized predominantly in the second half of the year when the SR got into the creditor's position against the CR. Without influence of the clearing account, the deficit represented Sk8.8 billion, while the projected budget deficit was Sk14.65 billion. Revenue reached Sk139.1 billion last year, Sk4.4 billion more than projected by the budget. Tax revenue went up by Sk11.4 billion in December and reached Sk110.5 billion for all of last year. The fulfillment of tax revenue was very positively influenced by proceeds from the personal income tax. Good results were achieved also with respect to the fulfillment of the corporate income tax (106.2 percent) and consumer taxes (100.9 percent). The fulfillment of the value-added tax developed unfavorably and this negative trend continued also in December. State budget revenue from value added tax for the whole year fell Sk3.7 billion short of the target. Proceeds from customs duties developed favorably. They amounted to Sk4.9 billion, which was 112 percent of the planned budgeted value for 1994. The import surcharge, which was also collected by customs authorities, yielded Sk2.2 billion by the end of December, and this sum was surrendered to the state budget. Some taxpayers' failure to meet their tax obligations and outstanding customs debts had an unfavorable impact on the state budget in 1994. On aggregate, this represented a revenue shortfall of Sk14.1 billion, a sum that is linked directly with the permanent insolvency of some taxpayers. Total state budget expenditure reached Sk162 billion last year, which was Sk12.6 billion more than projected in the budget. Once again, however, it is necessary to draw attention to the fact that this sum includes Sk14 billion accounted for by the clearing account for payments with the CR. Without the influence of the clearing account with the CR, state budget expenditure represented Sk147.9 billion. (Bratislava SLOVENSKA REPUBLIKA in Slovak 15 Mar 95 p 5)

DISCOUNT RATE: The NBS Banking Council decided yesterday to lower the discount rate from 12 to 11 percent with effect from 17 March 1995. The downward movement of the discount rate was made possible by the meeting of three conditions: The approval of the state budget for 1995, notification of commercial banks of possible changes in the discount rate at a meeting between representatives of commercial banks and the NBS Banking Council (on 2 March 1995), and the February inflation rate of 0.5 percent. The NBS Banking Council also approved a draft timetable for issuance of commemorative coins in 1996, and decided to change the system of fixing the Lombard rate, which will be set 1 percent above the rates of auction refinancing credits. (Bratislava PRAVDA in Slovak 17 Mar 95 p 1)

MACROECONOMIC DATA: In the final balance of the year 1994, the economy of the SR achieved in selected macroeconomic indicators the following results: Industrial production declined 4.4 percent in December, compared with November. Taking price influences into account, industrial production rose 6.4 percent in 1994, compared with 1993. Manufacturers of metals and metal products, organizations involved in the generation and distribution of electricity and gas, and crude oil refining organizations had the decisive share in this upward development.

Selected Macroeconomic Indicators Development in 1994

Indicator	First	Second	Third	Fourth Quarter
Production Industry[1]	+2.4	+4.[illegible]	+6.1	+6.4
Construction[1]	-11.3	-11.3	-8.1	-5.3
Freight Transportation[1]	-21.1	-19.5	-17.8	-14.4
Unemployment[2]	14.8	14.4	14.5	14.8
Foreign Trade Balance[3]	-3.23	+3.91	+0.54	+0.16

[1] in percent, same period of preceding year = 100 (cumulative)

[2] in percent as of last day of the pertinent quarter

[3] in billion Slovak korunas in current prices; including trade with CR.

Source: Slovak Statistical Office

Construction went up 0.3 percent in December 1994, compared with November 1994. Taking price influences into account, construction production declined 5.3 percent in 1994, compared with 1993. The volume of cargo carried in freight transportation was 14.4 percent lower in 1994 than in 1993. The consumer price index registered a decline from 116.4 percent in January 1994 to 113.4 percent in December 1994. The decline was due primarily to a decline in the consumer price index for services and non-food items. The consumer price index for food items, on the other hand, rose slightly. The number of unemployed for each vacant job declined from 48 at the beginning of 1994 to 28 in December 1994. In spite of this, the total number of unemployed increased 0.9 percent in 1994, compared with 1993.

Monetary Development Indicators in 1994

Indicator	First	Second	Third	Fourth Quarter
Inflation rate[1]	15.5	14.6	14.0	13.8
State budget deficit[2]	-5.95	-10.51	-17.19	-15.84
Development of M2[3]-4.7	-0.1	+5.1	+18.8	
Gross indebtedness[4]	3.5	3.6	4.1	4.2[5]
Foreign Currency Reserves[6]	474.5	689.2	1,459.5	1,745.0

[1] same period of 1993 = 100 (average since beginning of the year)

[2] in billion Slovak korunas

[3] 31 December 1993 = 100

[1] in billions of dollars, at the end of period

[1] as of 30 November 1994

[1] NBS, in millions of dollars

Source: Slovak Statistical Office; NBS

NBS foreign currency reserves (including gold) went up $1,295,400,000 in 1994, compared with 1993. The combined foreign currency reserves of the NBS and commercial banks (including gold) reached, according to preliminary data, $3.095 billion as of 31 December 1994. (Bratislava HOSPODARSKE NOVINY BURZOVE NOVINY Supplement in Slovak 15 Mar 95 p 7)

DETERGENT MANUFACTURING: The first 90 metric tons of tensides, components for detergents, have been produced by a new production unit in SLOVECA, a Slovak-Italian joint venture based at Novaky. The trial operation of the new unit, which was built in 18 months at a cost of Sk500 million, started on 9 March and will last until the end of June. The European Bank for Development and Reconstruction (EBRD) financed the project with a loan of 15 million German marks (DM). The company plans to produce more than 20,000 metric tons of tensides by the end of this year. They are destined for leading detergent manufacturers such as Procter and Gamble, Benkiser, and Henkel. (Bratislava SLOVENSKA REPUBLIKA in Slovak 15 Mar 95 p 5)

AGRICULTURAL PRIVATIZATION: The Ministry of Agriculture proposes the privatization of 288 companies with a total book value of more than Sk68 billion in the second privatization wave (281 companies, worth Sk37.2 billion, administered by the Ministry of Agriculture were included in the first privatization wave, but the privatization of only 127 of them had actually been completed). The ministry proposes that, of the 288 companies to be privatized in the second wave, the 245 state farms be privatized by "standard methods" and the remaining companies by a combination of standard methods and coupon privatization. As regards individual methods, Sk41.8 billion worth of property should be privatized by means of direct competition, Sk1.12 billion by means of long-term lease, companies worth Sk6.9 billion are to be liquidated, and the remaining property should go into coupon privatization or be privatized by "other means." Unsold shares from the first privatization wave worth Sk3.5 billion are also to be realized within the second wave. State agricultural land and state-owned forests are not to be privatized within the next six years "in the interest of a stable economic environment." "State enterprises of public interest nature" in the forest and water economy will also be exempted from privatization "for the time being." The above information comes from the "Updated Concept of Privatization in the Department of Agriculture," to be discussed by the Slovak Government "in the near future." (Bratislava HOSPODARSKE NOVINY in Slovak 16 Mar 95 pp 1, 2)

APARTMENT CONSTRUCTION: According to Frantisek Slavik, president of the Union of Slovak Contractors (ZSPS), 6,709 apartments were completed in Slovakia in 1994. This represents a decline of 11 percent against 1993 and "the lowest increase in the number of apartments in the past 50 years." The volume of export of "building capacities," on the other hand, went up 13 percent last year. The Ministry of Construction and Public Works, which will go into operation on 1 April, plans the annual construction of 15,000-17,000 apartments. (Bratislava HOSPODARSKE NOVINY in Slovak 16 Mar 95 p 2)

INTEREST RATES: Reacting to the development of the situation on the Slovak financial market, the Tatra Banka (Tatra Bank) announced on 15 March that it was lowering the base interest rate on loans 0.5 percent, to 18 percent, as of 15 March. The total volume of loans granted by Tatra Banka thus far exceeds Sk6.5 billion. Tatra Banka's move thus preceded the decision of the NBS, which announced on 16 March that it was lowering the discount rate from 12 to 11 percent with effect from 17 March. Commenting on the cut in the discount rate, the Bratislava daily SME said that "it should not be overestimated" because the NBS only "showed goodwill to government representatives, while remaining cautious." As the daily added, the reasons for the NBS' cautiousness are "plentiful." Not only are the NBS' own estimates of economic growth lower than the government's, on which the state budget is based, but this year's economic development entails a number of risks. These include, according to the daily, a growth in the number of bankruptcies, potential problems in trade relations with the CR, uncertain prospects of further export growth, and privatization delays. The gradual elimination of the import surcharge could also reverse the present foreign trade surplus, the daily said. (Bratislava HOSPODARSKE NOVINY BURZOVE NOVINY in Slovak 16 Mar 95 p 1; Bratislava PRAVDA in Slovak 17 Mar 95 p 1; Bratislava SME PODNIKANIE, PENIAZE, TRH Supplement in Slovak 21 Mar 95 p 2)

HIGHWAY CONSTRUCTION PLANS: Highway construction in Slovakia was on the agenda of a meeting of economic ministers held on 16 March in the presence of Prime Minister Meciar. Minister of Transportation, Communications, and Public Works Alexander Rezes said that the concept of highway construction has been "reassessed." The new program of highway construction until the year 2005 requires investment of Sk120 billion, of which Sk3.5 billion are to be invested this year and Sk5 billion in 1996. The program is to be financed outside the budget, by means of "bonds issues combined with foreign participation, particularly in purchasing technical equipment." The implementation of the program is to be facilitated by new legislation on "land purchases in public interest," which would set "a fixed price for each square meter of land that will be acceptable to the state." (Bratislava PRAVDA in Slovak 17 Mar 95 pp 1, 2) Mikulas Dzurinda, minister of transportation under the government of Jozef Moravcik, expressed "amazement" at the plan to build 453 kilometers of highways in Slovakia by the year 2005, recently announced by Alexander Rezes, Dzurinda's successor as minister of transportation. The plan to complete the highway network by the year 2005, instead of 2020 as originally projected, is "unrealistic" and "incompetently set," Dzurinda said. According to Dzurinda, calculations worked out while he was minister showed that building the missing 453 km of highways by the year 2020 would cost Sk123.5 billion, of which Sk18.7 billion would have to be borrowed. Completing the same volume of highway construction by the year 2010 would cost Sk160 billion, almost Sk60 billion of which would have to be borrowed. This would produce "an unimaginable debt burden," Dzurinda said, and, moreover, about 40 percent of work would have to be carried out by foreign contractors, given the capacity of the Slovak building industry. In the ex-minister's opinion, completing the entire planned highway network prior to 2020 would also amount to "throwing money out of the window" because even the most optimistic scenario of development of motor traffic in Slovakia suggests that not all sections of the network will meet the criteria for economic efficiency. Dzurinda proposes that only the missing 180 km of highways on the south-north route be completed by 2005, while the completion of the entire east-west connection should wait until 2020. (Bratislava NARODNA OBRODA in Slovak 24 Mar 95 pp 1, 2)

ELECTRICITY IMPORTS: A total of 5,693,928 megawatt hours (MWh) of electricity were generated in Slovakia between 1 January and 15 March this year—2,655,785 MWh in nuclear power plants, 1,366.734 MWh in thermal power plants, 1,044,734 MWh in hydroelectric power plants, and 626,676 MWh in company-operated power plants. The consumption of electricity in the same period amounted to 5,909,203 MWh. The difference of 215,275 MWh has been imported from neighboring states. (Bratislava HOSPODARSKE NOVINY in Slovak 17 Mar 95 p 2)

CEMENT CARTEL FINED: The Supreme Court has turned down the appeal of seven cement producers against last year's decision of the Slovak Anti-Monopoly Office to impose a fine of Sk19.96 million on them because of the conclusion of two "cartel agreements"—one on "dividing the market and setting production quotas" and one on "regular information exchange." The fine is the highest ever levied in Slovakia for violation of the law on economic competition. (Bratislava PRAVDA in Slovak 18 Mar 95 p 3)

CZECH PAYMENTS PACT: In an interview for CTK on 20 March, Slovak Finance Minister Kozlik suggested that a new system of payments between the SR and CR become effective as of 1 July 1995, in which the permitted maximum exchange rate differential between the Czech and Slovak korunas, on the one hand, and the clearing ECU would be limited to 2 percent. At present, the permitted range of fluctuation is +/-5 percent. According to Kozlik, this modification alone would mean a "real revaluation" of the Slovak koruna against the clearing ECU, which the CR is demanding to get out of the debtor's position on the Czech-Slovak clearing account. (Bratislava SME in Slovak 21 Mar 95 p 1)

UNEMPLOYMENT GROWTH: Pavol Karasz, "head of the Slovak Academy of Sciences' team of forecasters," who presented the "Study on Employment and Basic Trends on the Labor Market in 1995" in Bratislava on

20 March, said that, despite expected growth of production and consumption in Slovakia this year, the average number of unemployed in 1995 could go up by 40,000-50,000, to between 400,000 and 415,000. According to Karasz, the labor productivity growth rate will exceed the GDP growth rate and economic growth will thus not be reflected in a corresponding increase in employment. Long-term unemployment is also likely to increase, Karasz said, and reach a share of more than 50 percent. Likewise, the number of unemployed school graduates is likely to increase by 5,000, compared with the 1994 average. At the end of January 1995, 52,700 school graduates were jobless, which represented 13.6 percent of all unemployed. (Bratislava SME in Slovak 21 Mar 95 p 2)

CHEMICAL INDUSTRY: Last year represented a "turnaround" for the Slovak chemical and pharmaceutical industry, following a three-year recession. According to data of the Union of Chemical and Pharmaceutical Industry, the industry's sales rose approximately 7.5 percent in 1994, following a 5-percent decline in 1993. Exports went up 12.6 percent, compared with 1993, and chemical and pharmaceutical firms' pretax profits increased 29.6 percent. The volume of investment in the industry increased 15.2 percent. Average monthly wages in the industry rose 12 percent, to Sk7,200. (Bratislava SME PODNIKANIE, PENIAZE, TRH Supplement in Slovak 21 Mar 95 p 2)

STRATEGIC FUEL RESERVOIR: The construction of a large-capacity fuel reservoir "for the needs of state defense" is to start in Vydrnik, Spisska Nova Ves district, next year "in case of favorable circumstances and availability of funds." The project's investor is the Slovak Ministry of Economy, its manager is the Benzinol fuel distribution company. The projected cost of the reservoir, which will cover an area of 17 hectares, is Sk1.2 billion in 1994 prices. (Bratislava PRAVDA in Slovak 21 Mar 95 p 2; Bratislava PRAVDA in Slovak 22 Mar 95 p 2)

SWEDISH NUCLEAR PLANT: The SES Zeliezovce company has signed a contract for the delivery of heat exchangers-condensate coolers for Oskarshamn, the first Swedish nuclear power plant. The "extra-pure" material will be supplied by CRESITA, a Swedish engineering firm with which the Zeliezovce company has been cooperating for two years. The contract, which was signed two weeks ago, provides for delivery of the equipment by 16 July 1995. The order means work for 40 people for three months. (Bratislava PRAVDA in Slovak 22 Mar 95 p 5)

SLOVNAFT REFINERY REPORT: The Slovnaft refinery achieved a pretax profit of Sk3.14 billion on sales of Sk28.946 billion in 1994, doubling its 1993 profit, Slovnaft Director General Slavomir Hatina told a news conference on 21 March. The refinery processed 4.8 million metric tons of crude oil last year, 500,000 metric tons more than the year before. According to Hatina, Slovnaft plans to increase its capital by issuing Sk3.3 billion worth of new shares in June. As a result of the new shares issue, which will be placed on foreign capital markets, the stake of the National Property Fund (FNM) in Slovnaft will decline to 64 percent. The company intends to invest Sk30 billion in its development by the year 2003, Hatina said. Slovnaft had a base capital of Sk13.168 billion at the end of 1994, 9.695 billion (73.62 percent) of which was held by the FNM. Other major shareholders were Vseobecna Uverova Banka (General Credit Bank; VUB) with 7.22 percent, the privatization fund of Ceska Sporitelna (Czech Savings Bank) with 3.49 percent, the VUB Kupon investment fund with 2.39 percent; and five other investment funds and banks with stakes ranging between 0.63 and 1.41 percent. A total of 46,351 individual shareholders held 4.51 percent of Slovnaft shares. (Bratislava SMENA in Slovak 29 Mar 95 p 5; Bratislava SME in Slovak 22 Mar 95 p 3; Bratislava NARODNA OBRODA in Slovak 22 Mar 95 p 5)

REGULAR FLIGHTS TO ISRAEL: The private Air Slovakia company is resuming regular flights between Bratislava and Tel Aviv on 23 March, following the winter break. The route will be operated once a week, on Thursdays, using a 168-seat Boeing 727. (Bratislava NARODNA OBRODA in Slovak 22 Mar 95 p 5)

1994 INDUSTRIAL DEVELOPMENTS: Industrial output increased 6.4 percent in 1994, compared with 1993, according to Slovak Statistical Office (SUSR) data. Industrial output in the private sector went up 9.7 percent and in the public sector 2.9 percent. The share of the private sector in industrial output increased from 52.1 percent in 1993 to 53.7 percent. Labor productivity increased 15.1 percent, but average hourly wages increased 16.7 percent. The growth of average wages exceeded labor productivity growth by 0.8 percent. Average nominal monthly wages in industry reached Sk6,501. Highest average wages were in oil refining (Sk10,220), the lowest in the textile and clothing industry (Sk4,537). The largest production growth was achieved by oil refining (21.7 percent) and the production and distribution of electricity, gas, and water (15.3 percent). Machine building, on the other hand, recorded the highest production decline, achieving only 86.6 percent of the 1993 output. The largest export growth was achieved by the oil refining industry (43.2 percent), the paper and printing industry (34.0 percent), and the wood-processing industry (22.9 percent). Branches with the largest export decline were the food industry (13.9 percent decline) and machine building (7.6 percent). Industry remained the "flagship" of Slovak exports in 1994—the share of industrial exports in Slovakia's total exports increased from 72.6 percent in 1993 to 79.5 percent. (Bratislava HOSPODARSKE NOVINY in Slovak 22 Mar 95 p 3)

LEVEL OF SAVINGS: Combined savings in korunas and convertible currencies reached the equivalent of Sk283.5 billion at the end of 1994, according to preliminary NBS data, Sk44.8 billion more than at the beginning of the year. Koruna savings accounted for 85.9

percent of total savings, foreign currency savings for the rest. (Bratislava SMENA in Slovak 23 Mar 95 p 5)

ABOLITION OF CLEARING: In an interview for the Slovak business daily HOSPODARSKE NOVINY, Czech National Bank Governor Josef Tosovsky expressed support for voices calling for abolition of the clearing system currently used for payments between the CR and the SR. While Tosovsky admitted that the decision to use the clearing system was good at the time of its introduction and that the system was working well, he also noted that, as a result of the Slovak koruna's devaluation against the clearing ECU and the imposition of an import surcharge by the SR, it has led to "imbalance in mutual payment relations." The governor pointed out that payments agreements based on the clearing system were always temporary and that the development of both countries' currencies toward convertibility would make the system obsolete. Tosovsky does not expect the abolition of clearing to cause "shock" on either side and to result in another decline in the volume of Czech-Slovak trade. Asked about the possibility of using the Czech koruna in Czech-Slovak trade in connection with the planned introduction of its "limited convertibility," Tosovsky said that this issue should not be politicized and that it should be left up to the business partners in which currency they want to realize payments. (Bratislava HOSPODARSKE NOVINY in Slovak 23 Mar 95 pp 1, 2)

SLSP INTEREST RATES: Norbert Tenczer, president of Slovenska Pojistovna (Slovak Savings Bank; SLSP), announced that the SLSP Board of Directors decided to lower credit interest rates as of 1 April. The prime rate for top clients will be reduced to 12.5 percent, short-term loans will start at 16.5 percent, medium-term loans at 17 percent, and long-term loans at 18 percent. The SLSP Board of Directors also decided to introduce 12.5 percent long-term housing loans to stimulate housing construction. Interest rates on deposits will be "modified proportionately," Tenczer announced. Prvni Komunalni Banka (First Community Bank) announced a lowering of credit interest rates as of 1 April. The new prime rate is 12.5 percent, the base rate 13 percent, and the medium rate (for clients with medium risk rating) 16 percent. (Bratislava HOSPODARSKE NOVINY in Slovak 23 Mar 95 p 2; Bratislava HOSPODARSKE NOVINY in Slovak 28 Mar 95 p 1)

INVESTMENT FUND CAPITAL: An extraordinary meeting of shareholders of Prva Investicna a Privatizacna Spolocnost (First Investment and Privatization Company; PSIPS), the second largest investment fund in Slovakia, held in Presov on 23 March, decided "after a stormy and conflicting discussion" to lower the fund's base capital 39.9 percent by withdrawing 1.5 million shares from circulation. These shares will be offered for sale to satisfy the approximately 74,000 shareholders who had concluded a contract with the fund, under which the PSIPS was to purchase their coupon books for Sk20,000. The sale of 1.5 million PSIPS shares will be announced in two Slovak and two Czech dailies 15 days ahead of its start. The PSIPS has at present more than 170,000 shareholders and the value of its assets exceeded Sk3.4 billion at the end of 1994. (Bratislava SME in Slovak 25 Mar 95 p 3; Bratislava HOSPODARSKE NOVINY BURZOVE NOVINY Supplement in Slovak 28 Mar 95 p 1)

GOLD MINING: The Slovenska Banska Spolocnost (Slovak Mining Corporation) at Hodrusa-Hamre mined and processed 64,000 metric tons of ore in 1994, of which it produced 300 kg of gold. (Bratislava NARODNA OBRODA in Slovak 27 Mar 95 p 4)

TRADE SURPLUS WITH BAVARIA: Slovakia is Bavaria's fifth biggest trading partner among the 22 countries of Central and Eastern Europe monitored by Bavarian statistics and the only of these countries to have reached a surplus in trade with Bavaria. Slovakia is also the country to have recorded the most rapid increase not only in trade with Bavaria but also with the rest of Germany. In the first eight months of 1994, the overall Bavarian-Slovak trade volume reached nearly DM700 million; Bavaria's overall trade with the aforementioned 22 countries amounted to DM10.6 billion. In terms of export volume per capita, Slovakia surpasses all the other Central and East European countries with the exception of the CR, where many Bavarian firms have transferred their production. Slovakia exported DM433 million worth of goods to Bavaria in the first eight months of 1994. The most sought-after Slovak export commodities were clothing (DM75.3 million), cement (DM51.4 million), and iron and other metal products (DM50 million). (Bratislava NARODNA OBRODA in Slovak 27 Mar 95 p 5)

TOURISM REVENUE: Hard currency income from tourism reached $568 million in 1994, up from $213 million in 1992 and $390.2 million in 1993. Tourism generated 4.6 percent of GDP last year, up from 2.2 percent in 1992 and 3.6 percent in 1993. Hard currency spending on "passive" tourism (by Slovak citizens abroad) reached $283.6 billion last year, compared with $155 million in 1992 and $261.7 million in 1993. (Bratislava SLOVENSKA REPUBLIKA in Slovak 28 Mar 95 p 1)

INDUSTRIAL OUTPUT: SUSR has announced that industrial output fell by 4.4 percent in January, compared with December 1994. Construction output fell by 38.5 percent, the volume of freight transportation by 14.9 percent, and retail sales, adjusted for inflation, by 27.5 percent. (Bratislava SME PODNIKANIE, PENIAZE, TRH Supplement 28 Mar 95 p 1)

JAN-FEB FOREIGN TRADE: According to preliminary data released by SUSR, Slovakia's foreign trade volume totalled Sk74.137 billion in current prices in the first two months of 1995, Sk11.881 billion (19.1 percent) more than in the same period a year ago. Slovakia had a foreign trade deficit of Sk623 million in the first two months of the year. (Bratislava SME PODNIKANIE, PENIAZE, TRH Supplement in Slovak 28 Mar 95 p 1)

DIRECT SALE PRIVATIZATION: The FNM has issued a list of privatizations by means of direct sale approved between 2 February and 23 March 1995, which included 15 direct sales, the most important of which were the sale of 51 percent of Benzinol gas stations shares to the Slovnaft refinery for Sk1.299 billion; the sale of 10 percent of the East Slovak Iron Works Kosice shares to the Hutnik company for Sk329 million; the sale of 51 percent of Doprastav (construction company) shares to the DOAS company for Sk321 million; the sale of 67 percent of Zeletinaren Liptovsky Mikulas to the French Veishardt Holding for Sk311 million; and the sale of 67 percent of Skloobal Nemsova (container glass manufacturer) shares to the Obalsklo company for Sk120 million and the commitment to invest Sk400 million. (Bratislava SLOVENSKA REPUBLIKA in Slovak 29 Mar 95 p 4)

TIRE MANUFACTURER PROFITS: The Matador Puchov company (rubber goods) achieved an after-tax profit of $12 million on sales of $243 million in 1994. Matador Puchov sells its products through a network of dealers in 66 countries and maintains trade representatives in the United States, Germany, and Russia. (Bratislava SMENA EKONOMIKA Supplement in Slovak 30 Mar 95 p 3)

BANK CUTS RATE: Ceskoslovenska Obchodna Banka (Czechoslovak Foreign Trade Bank; CSOB) announced on 30 March that its Slovak branch was lowering credit interest rates as of 1 April. The prime rate for best customers is being reduced from 17 to 15 percent and the base rate for loans with a maturity of up to 1 year from 19 to 17 percent. (Bratislava PRAVDA in Slovak 31 Mar 95 p 2)

EBRD AGROBUSINESS CREDIT: Slovenska Polnohospodarska Banka (Slovak Agricultural Bank; SPB) and the EBRD signed an agreement on cofinancing agrobusiness projects in Slovakia in Bratislava on 30 March. The agreement provides Slovak food processors with Sk1.1 billion worth of medium- and long-term credits (18 months to 7 years). The SPB and the EBRD will each invest ECU15 million in the project, which is the "first EBRD line of credit for financing the food-processing industry in Central and Eastern Europe." (Bratislava PRAVDA in Slovak 31 Mar 95 p 3; Bratislava HOSPODARSKE NOVINY in Slovak 31 Mar 95 p 2)

UKRAINIAN PROJECT: A total of 21 Czech and Slovak firms are to participate in the completion of Krivoy Rog iron ore combine, on which work could start in the second quarter of 1995. Some 900 Slovak builders will be working directly in Ukraine and another 3,500 jobs related to the project will be created in Slovakia. (Bratislava NARODNA OBRODA in Slovak 1 Apr 95 p 5)

CZECH CLEARING ACCOUNT: On 31 March, the CR had exceeded the agreed upper limit, ECU130 million on its clearing account with the CR by ECU109.83 million. March 1995 was the ninth consecutive month in which the CR exceeded the upper limit. Slovakia's surplus of ECU239.83 million on the clearing account at the end of March is the highest reached since the Czechoslovak currency split. One cause of this is the expected termination of the payments agreement and the clearing system as such. Czech importers are stocking up on Slovak goods because end to clearing will eliminate the Slovak koruna's 5-percent devaluation against the clearing ECU and will make imports from Slovakia more expensive. (Bratislava SME in Slovak 1 Apr 95 p 3; Bratislava NARODNA OBRODA in Slovak 3 Apr 95 pp 1, 4) According to NBS Vice Governor Marian Jusko, the NBS has worked out its course of action in the event that the clearing system currently used for payments with the CR is terminated and the use of national or convertible currencies is adopted in mutual trade. Estimates of the impact of abolishing clearing, canceling the import surcharge, removing the Slovak koruna's effective 5 percent devaluation against the Czech koruna, and the weaker effect of certificates vary, according to Jusko, but "the most pessimistic estimates say that the impact on the balance of payments would be $300 million." Jusko himself considers this estimate "too high." (Bratislava NARODNA OBRODA in Slovak 4 Apr 95 p 5)

CENTRAL BANK PROFITS: The NBS made a gross profit amounting to Sk8.992 billion in 1994. Sk6.746 billion of which it surrendered to the state budget. More than 90 percent of the remaining profit has been used to boost the NBS reserve fund. According to NBS representatives, the central bank's high gross profit was due to the favorable development of monetary indicators, the revitalization of the Slovak economy, and the increase in hard currency reserves. (Bratislava NARODNA OBRODA in Slovak 4 Apr 95 p 2)

IMPORTS FROM RUSSIA: According to Yuriy Zelenetskiy, commercial attache at the Russian Federation Embassy in Bratislava, the volume of trade between Russia and Slovakia reached $1.5 billion in 1994, with Russia supplying to Slovakia "the required amount of crude oil—almost 5 million metric tons, more than 5 billion cubic meters of natural gas, and some 2 million tons of bituminous coal from the Kuzbas and Rostov basins." (Bratislava SLOVENSKA REPUBLIKA 4 Mar 95 p 11)

DATA ON COAL RESERVES: Of the estimated 350 million metric tons of coal reserves in Slovakia, 245 million tons "can be considered for exploitation," and, when account is taken of "exploitation losses," some 135 million tons are "really recoverable." The combined annual output of the five Slovak coal mines (Cigel, Handlova, Novaky, Dolina, and Zahorie) is between 3.55 and 3.75 million tons. More than 10,600 people are currently employed in Slovak coal mining. (Bratislava HOSPODARSKE NOVINY in Slovak 4 Mar 95 pp 1, 7)

VIENNA-BRATISLAVA RAPID RAIL: Austrian Minister of Transport Viktor Klima and his Slovak counterpart Alexander Rezes signed an agreement in Vienna on 4 April on the construction of a new "rapid rail link" between Vienna and Bratislava "by the end of the century." The rail link will also connect Bratislava-Ivanka and Vienna-Schwechat airports. The ministers agreed that construction would be assigned to a private company on the basis of a tender. (Bratislava NARODNA OBRODA in Slovak 5 Apr 95 p 1)

TRADE WITH INDIA: India is Slovakia's biggest trading partner outside Europe. The 1994 volume of mutual trade reached $81.6 million, with Slovak exports to India amounting to $65.1 million and imports from India to $16.5 million. (Bratislava SMENA in Slovak 5 Apr 95 p 2)

PRIVATE SECTOR: The private sector generated 58.2 percent of GDP in 1994, up from 39 percent in 1993 and 32.4 percent in 1992. In 1994, the private sector contributed 53.7 percent to GDP in industry, 73.6 percent in construction, 88.5 percent in retailing, and 56.3 percent in road freight transport. (Bratislava NARODNA OBRODA in Slovak 6 Apr 95 p 5)

SECOND PRIVATIZATION WAVE: Addressing a news conference on 5 April, Privatization Minister Peter Bisak said that property with a total book value of Sk258 billion, comprising some 550 companies, will be included in the second privatization wave, of which Sk40 billion has been set aside for coupon privatization. Property worth Sk73 billion has been earmarked for direct sales, and Sk90 billion worth of property for "permanent state participation." Of the Sk40 billion worth of property to be divided among coupon holders, Sk9.8 billion is the property of water and sewage works and Sk21 billion the property of companies administered by the Ministry of Economy. The reduction of property for coupon privatization, whose volume was originally to amount to Sk70 billion, is mainly due to the reduction of the Economy Ministry's offer from Sk41 to Sk21 billion. The 4 April government meeting also decided to eliminate from coupon privatization the lucrative shares of electricity distribution companies. (Bratislava HOSPODARSKE NOVINY in Slovak 6 Apr 95 p 2; Bratislava NARODNA OBRODA in Slovak 6 Apr 95 p 5)

TRADE BARRIERS: Mutual trade in agricultural commodities and the cancellation of existing trade barriers were discussed by Czech Agriculture Minister Josef Lux and his Slovak counterpart, Peter Baco, in Brno on 6 April. The Czech minister "expressed concern" over the "drastic decline" of Czech agricultural exports to Slovakia in 1994, which, in his opinion, is a consequence of the 10 percent Slovak import surcharge, the Slovak koruna's 5 percent devaluation against the clearing ECU, and bureaucratic measures such as the certification of food imports. The two ministers came to an agreement on the issue of certificates. They agreed to prepare by 1 July 1995 an agreement on the mutual recognition of certificates that would be valid within the framework of the entire Central European Free Trade Association (CEFTA). Czech exports of food and agricultural commodities to Slovakia declined by 1.33 billion Czech korunas (Kc) last year, to Kc7.14 billion, while Slovak exports of the same commodities to the CR increased by Kc351.3 million to Kc5.2 billion. (Bratislava PRAVDA in Slovak 7 Apr 95 p 2; Bratislava HOSPODARSKE NOVINY in Slovak 7 Apr 95 p 4)

SIEMENS PRESENCE: The German Siemens concern employs 1,800 people in Slovakia and expects to increase its sales to DM380 million this year. Eight Slovak companies, which operate as independent units, belong to the Siemens group—Kablo Bratislava (cables), SWH Bratislava (software development), SKT (builder and operator of the Bratislava cable television network), Siemens Nixdorf Informacne Systemy Bratislava (marketing and service in the data processing field), Siemens Automotive Michalovce (production and distribution of small electric engines for the automobile industry and Siemens washing machines), Reaktortest Trnava (testing of reactor pressure vessels), Siemens I-Centrum Bratislava (wholesale of electric installation materials), and MEZ Michalovce (motors for washing machines), in which Siemens has a 25 percent stake. The biggest Siemens-owned companies are Siemens Automotive Michalovce (expected 1995 sales: DM120 million) and Kablo Bratislava (DM90 million). (Bratislava SME PODNIKANIE, PENIAZE, TRH Supplement 11 Apr 95 p 3)

AGRICULTURAL LOSSES: Even though almost 50 percent of agricultural businesses made a profit in 1994, Agriculture Minister Peter Baco estimates that Slovak agriculture as a whole ended the year with a loss of Sk2-2.5 billion. (Bratislava PRAVDA in Slovak 11 Apr 95 p 3)

MAJOR FOREIGN INVESTMENT: Economy Minister Jan Ducky said in Brno, on the occasion of the "CEFTA Days," that the volume of foreign capital invested in Slovakia has reached Sk16.5 billion. It is concentrated mostly in the fields of retailing, repairs, and services (49.6 percent), manufacturing (39.6 percent), and banking and the insurance business (8.8 percent). The largest volumes of foreign capital have come from Germany, Austria, the CR, the United States, and France. (Bratislava NARODNA OBRODA in Slovak 11 Apr 95 p 5)

BCPB TRADING VOLUME: Trading volume at the Bratislava Stock Exchange (BCPB) in the first quarter of 1995 reached Sk7.453 billion and was thus higher than last year's total trading volume of Sk6.3 billion. With a share of 74 percent of the trading volume, listed bonds were the most heavily traded securities in March. (Bratislava HOSPODARSKE NOVINY in Slovak 12 Apr 95 p 9)

NUMBER OF BUSINESSMEN: A total of 288,800 private businessmen were registered in Slovakia at the end of February 1995, 1,800 more than at the beginning of the year. In the first two month of 1995, the Slovak private sector had a share of 57.4 percent in the volume of industrial output, 81.9 percent in construction output, 89 percent in retail sales, and 64.9 percent in road freight transport. (Bratislava SLOVENSKA REPUBLIKA in Slovak 13 Apr 95 p 1)

FOREIGN DEBT: The gross foreign debt of the SR reached $4.285 billion as of 31 December 1994 and was $603 million higher than at the beginning of 1994, when it stood at $3.682 billion. Of the total foreign debt of $4.285 billion, the so-called "official debt" (debt of the Slovak Government and the NBS) represented $2.275 billion and the liabilities of commercial banks and the company sphere $1.9 billion. Slovak debt in convertible currencies amounted to $4.144 billion, while the remaining $141 million was accounted for by Slovakia's debt to the former German Democratic Republic. Slovakia's debt servicing in 1995 is estimated at $520 million. (Bratislava HOSPODARSKE NOVINY BURZOVE NOVINY in Slovak 13 Apr 95 p 1)

INDUSTRY, AGRICULTURE DATA: According to figures released by SUSR, during the first two months of 1995, industrial goods worth Sk72.5 billion were manufactured, the volume of construction reached Sk5.3 billion, and agricultural enterprises had receipts of Sk3.6 billion. In January and February 1995, compared with the same period of 1994 in comparable prices, industrial output increased by 7.4 percent, construction output declined by 0.6 percent, and the receipts of the agricultural enterprises rose by 2.1 percent. In February 1995, compared with January, the overall volume of construction went up by 11.5 percent. (Bratislava SLOVENSKA REPUBLIKA in Slovak 15 Apr 95 p 2)

BUDGET DEFICIT: On 28 February 1995, the SR had a deficit of Sk4.2 billion in its state budget and Sk0.6 billion in foreign trade. The rate of inflation, compared with January, rose by 0.5 percent and, compared with February 1994, by 11.5 percent. Consumer prices for goods and services, compared with January, went up by 0.5 percent. Prices of nonfood products went up by 0.6 percent; services by 1.1 percent; and public catering by 0.7 percent. Prices of food products fell by 0.3 percent. Compared with February 1994, overall prices rose by 11.5 percent. In February 1995, compared with January, the cost of living increased by 0.3 percent. It went up by 0.3 percent in employees' households, by 0.4 percent in farmers' households, and it fell by 0.1 percent in pensioners' households. Compared with February 1994, the overall cost of living went up by 11.3 percent. (Bratislava NARODNA OBRODA in Slovak 18 Apr 95 p 5)

INDIAN IMPORTS: By 14 April 1995, goods worth Sk69.4 million had been imported from India within the framework of preferential customs tariffs for developing countries. The volume of imports from this country have thus exceeded the limit of $2.0 million or its equivalent. Therefore, Slovak customs bodies will no longer discriminate in favor of imports from India. (Bratislava HOSPODARSKE NOVINY in Slovak 18 Apr 95 p 2)

MARCH UNEMPLOYMENT: There were 371,577 registered unemployed at the end of March, 13,310 fewer than at the end of February, a fall from 15.12 percent to 14.59 percent. Some 13,298 vacancies were registered with labor offices at the end of March, a ratio of 28 job-seekers per vacancy. (Bratislava SMENA in Slovak 20 Apr 95 p 4)

HUNGARIAN BANK BRANCH: The Hungarian Bank for Foreign Trade (MKB) has opened in Slovakia. The MKB wants to assist with production and commercial contacts between Slovak and Hungarian businesses. (Bratislava HOSPODARSKE NOVINY in Slovak 21 Apr 95 p 1)

DISMISSAL OF VSZ MANAGEMENT: On 20 April, Julius Toth, chairman of the Supervisory Board of the VSZ, Slovakia's largest industrial company, commented on the dismissal of the Board of Directors two weeks ago. Toth said that last year's profits of Sk670 million were below the company's potential, given its annual sales of approximately $1 billion and the exceptional world demand for steel products. He said that the VSZ's problems also lie in its organizational structure, with its 150 subsidiaries representing an "unbearable fragmentation," Toth said. Toth also said that communication among some members of the top management was "virtually zero," which "almost paralyzed the company's operations in some periods of 1994." (Bratislava NARODNA OBRODA in Slovak 21 Apr 95 p 2; Bratislava SME in Slovak 21 Apr 95 p 2)

VSZ SUPPLIES CAR MAKERS: VSZ Kosice, the largest Slovak metallurgical company, is supplying over 100,000 metric tons of car body sheets annually to Czech manufacturer Skoda Mlada Boleslav alone. This year, VSZ has started experimentally to supply several thousand metric tons of sheets to Volkswagen in Wolfsburg, FRG. "Significant" interest is also reported from the so-called Detroit Three (Ford, Chrysler, and General Motors), which currently purchase from VSZ nearly 100,000 metric tons of extra-hard micro-alloyed sheets annually and whose demand exceeds the production capacity of the VSZ's entire cold rolling mill. (Bratislava NARODNA OBRODA in Slovak 22 Apr 95 p 5)

INDUSTRIAL PRODUCTION: Compared with January 1995, the industrial sector increased output by 0.5 percent in February, the construction sector 11.5 percent, and the volume of goods carried in freight transportation increased 5.5 percent, the SUSR announced. Daily production in the industrial sector went up 5.5 percent in February and in the construction sector 17.1 percent. (Bratislava PRAVDA in Slovak 21 Apr 95 p 3)

TANK MANUFACTURER: ZTS TEES Martin, manufacturer of the T-72 tank, reports an Sk942 million loss for 1994 and "has thus hit economic bottom." The company's business plan for 1994 provided for an Sk224 million profit. (Bratislava SME in Slovak 22 Apr 95 p 1)

NEW AGENCY: Agency for Industrial Development and Revitalization (AIDR) is the name of a new agency to help the revitalization of industry, trade, and services and stabilization and gradual growth of the Slovak economy. The AIDR's founders are the Ministry of Economy, the Union of Industry, the Chamber of Trade and Industry, the Center of Strategic Studies, the National Agency for Foreign Investment and Development, the Agency for the Development of Small- and Medium-Sized Businesses, and the REVING Presov company. Peter Magvasi (former minister of economy and now a deputy for the opposition Party of the Democratic Left) is the agency's first president. (Bratislava SLOVENSKA REPUBLIKA in Slovak 24 Apr 95 p 4)

NBS ISSUES BONDS: The NBS announced that it will organize an "American-style auction of state bonds" on 11 May. Each bond has a nominal value of Sk10,000 and a maturity of 5 years. The minimum purchase has been set at 1,000 bonds, that is, Sk10 million. The bonds carry an interest of 10.9 percent per annum. Proceeds from the bond sale will be used to cover the Sk23 billion 1993 state budget deficit. (Bratislava HOSPODARSKE NOVINY BURZOVE NOVINY Supplement in Slovak 25 Apr 95 p 1; Bratislava SLOVENSKA REPUBLIKA in Slovak 22 Apr 95 p 2)

AUSTRIAN BANK IN BRATISLAVA: Creditanstalt Bratislava, a 100-percent subsidiary of the Austrian Creditanstalt Bankverein (CA), officially launched its operations in the Slovak capital on 25 April. (Bratislava NARODNA OBRODA in Slovak 26 Apr 95 p 5)

MARCH CONSUMER PRICES: Consumer prices rose 0.3 percent in March 1995, compared with February, raising the overall cost of living index by 0.2 percent. (Bratislava HOSPODARSKE NOVINY in Slovak 26 Apr 95 p 11)

SECOND PRIVATIZATION: Following the verification of the 3,428,419 registrations for the second wave of coupon privatization and the elimination of double or multiple registrations, there are 3,365,054 coupon books with "valid" registration. (Bratislava SLOVENSKA REPUBLIKA in Slovak 26 Apr 95 p 5)

Yugoslavia

LD0102163795 Economic Review—FOR OFFICAL USE ONLY

JANUARY PRICE INCREASE: The Yugoslav Statistics Bureau has said prices in January were up 12.4 percent, compared to December 1994. The Bureau's Assistant General Manager Mirjana Rankovic said the price rise had been recorded before the Yugoslav Government recommended to manufacturers to reduce prices, increased without any economic justification. Yugoslav statisticians say that the effects of the government's recommendation, which is being implemented in hundreds of firms throughout the country, will emerge in the February analysis. Statisticians say that in the period of 23-28 January, prices dropped by 2.8 percent, compared to the previous week. The Yugoslav Statistics Bureau said that prices of agricultural products had risen by 9.3 percent in January compared to December last year, and of processed food products by 7.5 percent. The rising prices have affected the cost of living which increased by 14.7 percent in January, compared to December 1994. (Belgrade TANJUG in English 1349 GMT 1 Feb 95)

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